

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2007

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

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INTRODUCTORY SECTION

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2007**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Donald Jensen	January 2009
2 nd District	Robert Carlson, *	January 2011
3 rd District	Charles Naplin	January 2011
4 th District	Darryl Tveitbakk	January 2011
5 th District	Oliver "Skip" Swanson	January 2009
Officers		
Elected:		
Attorney	Alan Rogalla	January 2011
Auditor	Kenneth Olson	January 2011
Coroner	R. Heinrichs, M.D.	January 2011
Recorder	Kenneth Schmalz	January 2011
Sheriff	Michael Hruby	January 2011
Treasurer	Vickie Bjorgaard	January 2011
Appointed:		
Assessor	Adeline Olson	January 2009
Highway Engineer	Michael Flaagan	May 2011
Nursing Home Administrator	Angela Malone	Indefinite
Human Services Director	Kenneth Yutzenka	Indefinite
Solid Waste Officer	Howard Person	Indefinite
Veterans Service Officer	Steve Stone	Indefinite

* Chair

FINANCIAL SECTION



Colleen Hoffman, Manager
Gordon Dale, CPA
Audrey Swenson, CPA

GOVERNMENTAL AUDIT SERVICES

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Thief River Falls, MN 56701
Phone: 218-681-4078
Fax: 218-681-4079
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pennington County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pennington County, Minnesota, as of and for the year ended December 31, 2007, including the Oakland Park Nursing Home Enterprise Fund as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pennington County as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2008, on our consideration of Pennington County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

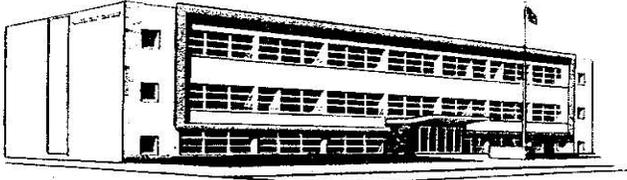
The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pennington County's basic financial statements. The introductory section and the supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Pennington County. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

August 6, 2008



PENNINGTON COUNTY

101 Main Ave. No.; P.O. Box 616
Thief River Falls, MN 56701

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of Pennington County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Pennington County for the fiscal year ended December 31, 2007. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net assets of governmental activities are \$53,869,949, of which \$51,864,422 is invested in capital assets, net of related debt, \$963,916 is restricted for specific purposes, and \$1,041,611 is unrestricted. The total net assets of governmental activities decreased by \$365,300 for the year ended December 31, 2007, as a result of current year depreciation and the reduction of construction in progress.

Effective March 1, 2007, the Oakland Park Nursing Home was sold for \$2,000,000 and all assets were transferred to the new owners.

At the close of 2007, the County's governmental funds reported combined ending fund balances of \$8,477,968, an increase of \$2,909,476, from the prior year. Of the total fund balance amount, \$1,198,682 is legally or contractually reserved, \$6,297,996 is designated for specific purposes, and an additional \$981,290 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Pennington County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Activities*, we divide the County into two kinds of activities:

- **Governmental activities**—Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state grants finance most of these activities.
- **Business-type activities**—The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Oakland Park Nursing Home.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pennington County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports three governmental fund types: General, Special Revenue, and Debt Service. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Capital Improvement Special Revenue Fund, all of which are considered to be major funds. Data from the other three Special Revenue Funds and the five Debt Service Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in combining statements after the notes to the financial statements.

Pennington County adopts annual budgets for its governmental funds. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds Pennington County maintains one proprietary fund. The Oakland Park Nursing Home Enterprise Fund is used to account for the operations of the Oakland Park Nursing Home. Financing is provided by charges to residents for services. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the Statement of Activities as business-type activities. This fund was closed in 2007 due to the sale of the Oakland Park Nursing Home.

Fiduciary Funds Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Pennington County's fiduciary funds consist of ten agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the Agency Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in Statement 7, Combining Statement of Changes in Assets and Liabilities, All Agency Funds.

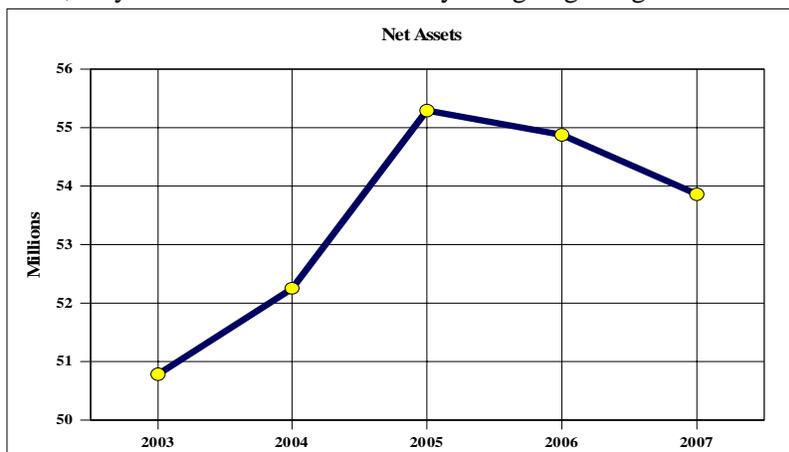
Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 25 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides supplementary information including combining statements, budgetary comparison schedules, a ditch balance sheet, and a schedule of intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$53,869,949 at the close of 2007. The largest portion of the County's net assets (approximately 96 percent) reflects its investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment), net of related debt used to acquire those assets. It should be noted that this amount is not available for future spending. Approximately two percent of the County's net assets are restricted and two percent of the County's net assets are unrestricted. The unrestricted net asset amount of \$1,041,611, as of December 31, 2007, may be used to meet the County's ongoing obligations to citizens.



The County's overall financial position decreased from last year. Total assets decreased by \$1,913,906, from the prior year, due to current year depreciation, the reduction of construction in progress, and the sale of the Nursing Home. Total liabilities decreased by \$899,584, from the prior year, due to scheduled debt repayment. This resulted in decreased net assets of \$1,014,322 from the prior year.

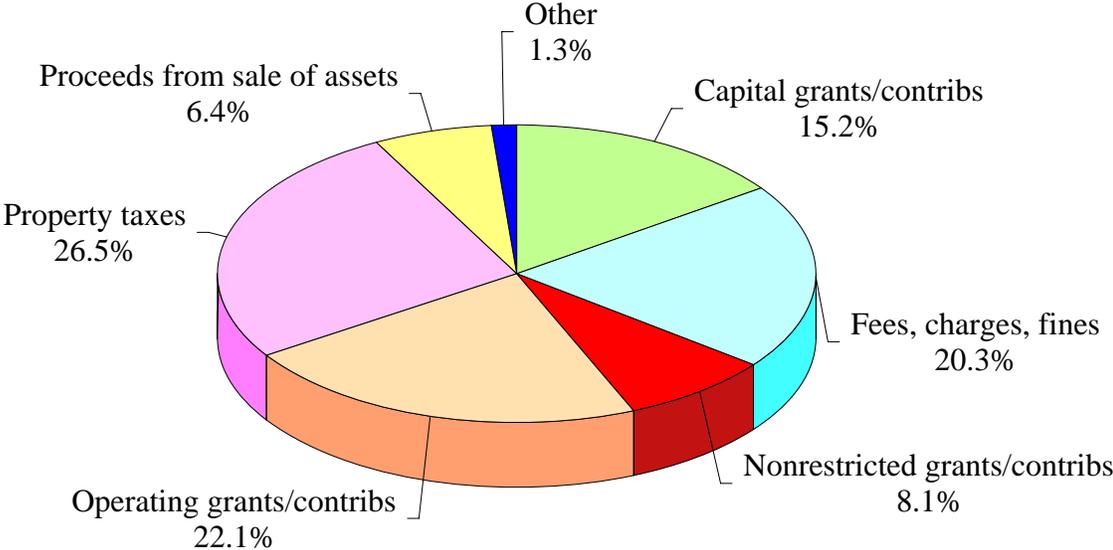
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 9,967,456	\$ 7,541,229	\$ -	\$ 444,515	\$ 9,967,456	\$ 7,985,744
Capital assets	<u>48,701,878</u>	<u>52,056,641</u>	<u>-</u>	<u>540,855</u>	<u>48,701,878</u>	<u>52,597,496</u>
Total assets	<u>\$ 58,669,334</u>	<u>\$ 59,597,870</u>	<u>\$ -</u>	<u>\$ 985,370</u>	<u>\$ 58,669,334</u>	<u>\$ 60,583,240</u>
Other liabilities	\$ 889,535	\$ 1,250,848	\$ -	\$ 121,664	\$ 889,535	\$ 1,372,512
Long-term liabilities outstanding	<u>3,909,850</u>	<u>4,111,773</u>	<u>-</u>	<u>214,684</u>	<u>3,909,850</u>	<u>4,326,457</u>
Total liabilities	<u>\$ 4,799,385</u>	<u>\$ 5,362,621</u>	<u>\$ -</u>	<u>\$ 336,348</u>	<u>\$ 4,799,385</u>	<u>\$ 5,698,969</u>
Net assets						
Invested in capital assets, net of related debt	\$ 51,864,422	\$ 48,746,220	\$ -	\$ 475,230	\$ 51,864,422	\$ 49,221,450
Restricted	963,916	919,946	-	109,304	963,916	1,029,250
Unrestricted	<u>1,041,611</u>	<u>4,569,083</u>	<u>-</u>	<u>64,488</u>	<u>1,041,611</u>	<u>4,633,571</u>
Total net assets	<u>\$ 53,869,949</u>	<u>\$ 54,235,249</u>	<u>\$ -</u>	<u>\$ 649,022</u>	<u>\$ 53,869,949</u>	<u>\$ 54,884,271</u>

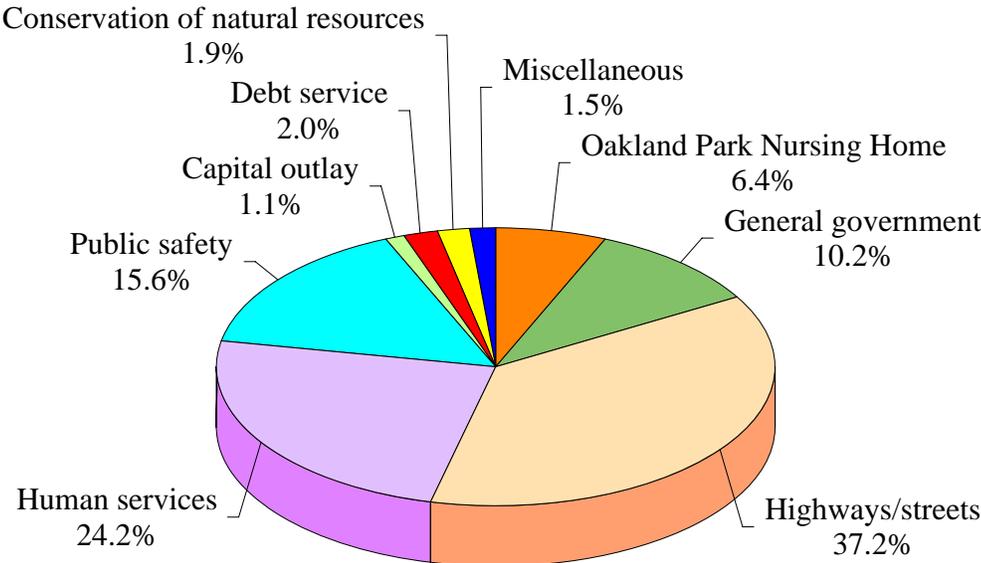
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 2,641,778	\$ 2,750,348	\$ 1,248,630	\$ 2,888,776	\$ 3,890,408	\$ 5,639,124
Operating grants and contributions	4,239,136	5,698,772	8,894	8,893	4,248,030	5,707,665
Capital grants and contributions	2,845,579	555,338	79,962	1,317	2,925,541	556,655
General revenues and other						
Property taxes	5,085,178	4,651,067	-	-	5,085,178	4,651,067
Grants and contributions not restricted to specific programs	1,562,352	1,492,496	-	-	1,562,352	1,492,496
Payments in lieu of tax	17,853	16,173	-	-	17,853	16,173
Investment earnings	238,467	209,517	-	-	238,467	209,517
Proceeds from sale of assets	1,235,538	-	-	-	1,235,538	-
Loss on sale of capital assets	-	(486,350)	-	-	-	(486,350)
Miscellaneous	-	-	-	3,582	-	3,582
Transfers	<u>651,997</u>	<u>(150,000)</u>	<u>(651,997)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$18,517,878</u>	<u>\$14,737,361</u>	<u>\$ 685,489</u>	<u>\$ 3,052,568</u>	<u>\$19,203,367</u>	<u>\$17,789,929</u>
Expenses						
General government	\$ 2,106,695	\$ 1,952,172	\$ -	\$ -	\$ 2,106,695	\$ 1,952,172
Public safety	3,223,234	2,928,809	-	-	3,223,234	2,928,809
Highways and streets	7,696,281	4,989,468	-	-	7,696,281	4,989,468
Sanitation	104,942	81,753	-	-	104,942	81,753
Human services	5,019,103	4,499,020	-	-	5,019,103	4,499,020
Health	48,093	43,489	-	-	48,093	43,489
Culture and recreation	132,972	166,210	-	-	132,972	166,210
Conservation of natural resources	385,085	368,914	-	-	385,085	368,914
Economic development	22,050	19,195	-	-	22,050	19,195
Interest	144,723	145,302	-	-	144,723	145,302
Nursing home	-	-	1,334,511	3,005,417	1,334,511	3,005,417
Total expenses	<u>\$18,883,178</u>	<u>\$15,194,332</u>	<u>\$ 1,334,511</u>	<u>\$ 3,005,417</u>	<u>\$20,217,689</u>	<u>\$18,199,749</u>
Increase (decrease) in net assets	\$ (365,300)	\$ (456,971)	\$ (649,022)	\$ 47,151	\$(1,014,322)	\$ (409,820)
Net assets, January 1, as previously reported	<u>54,235,249</u>	<u>54,692,220</u>	<u>649,022</u>	<u>601,871</u>	<u>54,884,271</u>	<u>55,294,091</u>
Net assets, December 31	<u>\$53,869,949</u>	<u>\$54,235,249</u>	<u>\$ -</u>	<u>\$ 649,022</u>	<u>\$53,869,949</u>	<u>\$54,884,271</u>

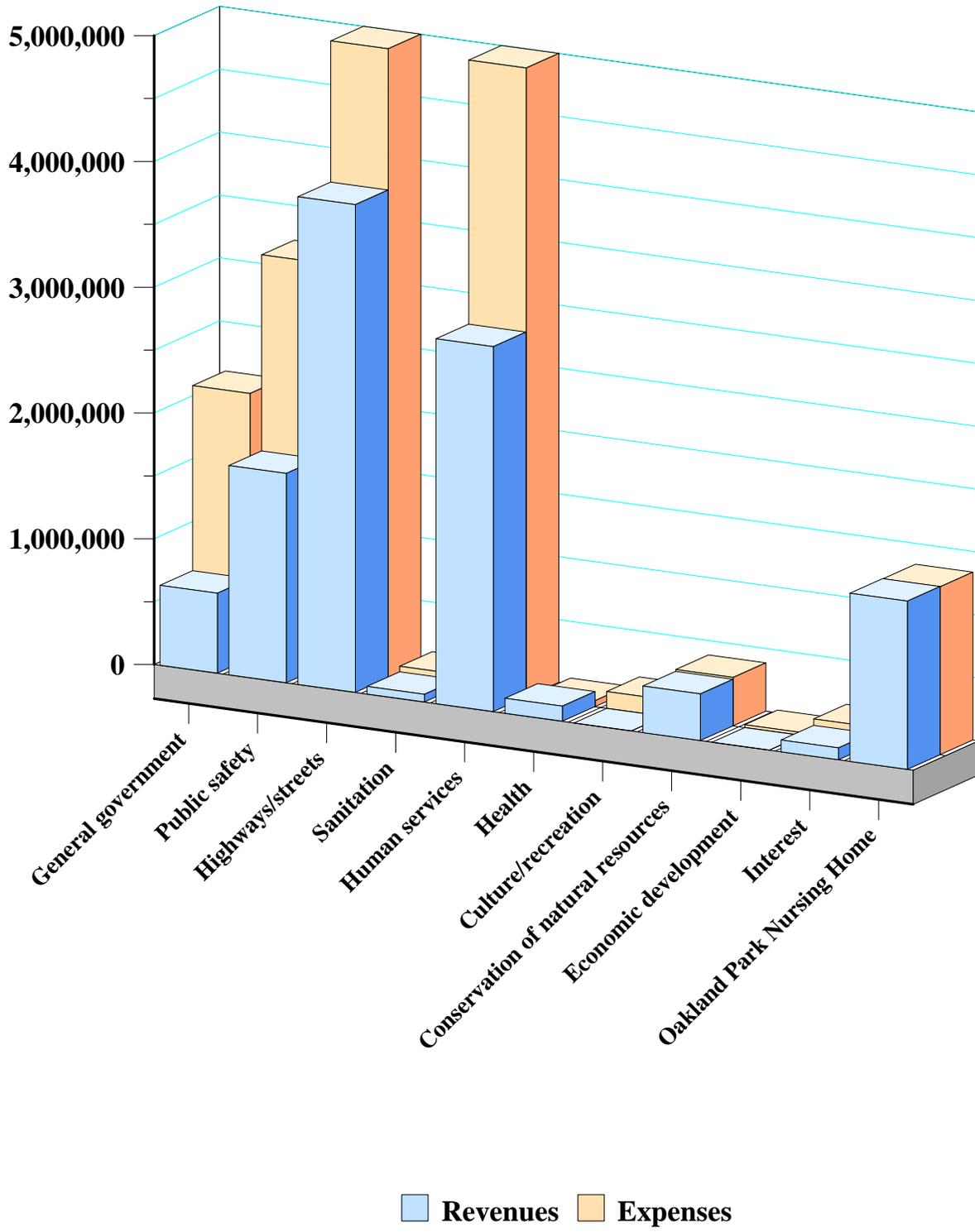
Revenues by Source



Expenses by Function



Program Revenues & Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2007, the County's governmental funds reported combined ending fund balances of \$8,477,968. Of this amount, approximately 14 percent constitutes legally or contractually reserved fund balance, 74 percent constitutes specifically designated fund balance, and 12 percent constitutes available unreserved, undesignated fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was \$3,993,799. The General Fund's reserved fund balance was \$397,459, unreserved, designated fund balance was \$3,156,988, and the unreserved, undesignated fund balance was \$439,352. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures for 2007. Unreserved fund balance represents 64 percent of total General Fund expenditures, while total fund balance represents 71 percent of that same amount.

In 2007, the fund balance amount in the General Fund increased by \$345,546, due to increased investment earnings, a modest tax levy increase, and a decrease in capital outlay from the previous year.

The fund balance of the Road and Bridge Special Revenue Fund increased \$769,250 in 2007, as a result of the recognition of revenue in connection with previous year's advance spending of state and federal highway construction aid.

The fund balance of the Human Services Special Revenue Fund decreased \$333,880 from the prior year, due to unfunded mandates for the cost of out-of-home placements and mental health programs.

The Capital Improvement Special Revenue Fund was opened in 2007 to account for proceeds from the sale of the Oakland Park Nursing Home and is to be used for future County capital improvements. As of December 31, 2007, the fund balance was \$2,007,535.

Proprietary Fund

The operations of the Oakland Park Nursing Home Enterprise Fund ceased as of March 1, 2007 when the Nursing Home was sold and all assets were transferred to the new owners. The Statement of Revenues, Expenses, and Changes in Fund Net Assets, found on page 22 of this report, reflects the Nursing Home's operations for the five months ended February 28, 2007 and the activity in the fund related to its closing.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2007.

Actual revenues were more than overall budgeted revenues by \$266,204. The largest positive variances were in intergovernmental revenues and investment earnings. Actual expenditures were more than overall final budgeted expenditures by \$24,661. Individual department overruns are listed in the notes to the required supplementary information.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2007 and business-type activities as of September 30, 2007, amounted to \$48,701,878 (net of accumulated depreciation). The total decrease in the County's investment in capital assets for the current fiscal year was approximately seven percent, as a result of current year depreciation, the reduction of construction in progress, and the sale of the Nursing Home.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 464,569	\$ 464,569	\$ -	\$ 11,800	\$ 464,569	\$ 476,369
Construction in progress	1,361,350	4,585,513	-	-	1,361,350	4,585,513
Infrastructure	43,378,226	43,163,677	-	-	43,378,226	43,163,677
Buildings and improvements	2,336,855	2,435,447	-	441,804	2,336,855	2,877,251
Land improvements	-	-	-	8,006	-	8,006
Machinery and equipment	<u>1,160,878</u>	<u>1,407,435</u>	<u>-</u>	<u>79,245</u>	<u>1,160,878</u>	<u>1,486,680</u>
Total capital assets	<u>\$ 48,701,878</u>	<u>\$ 52,056,641</u>	<u>\$ -</u>	<u>\$ 540,855</u>	<u>\$ 48,701,878</u>	<u>\$ 52,597,496</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current fiscal year, the County had total debt outstanding of \$3,484,580 which is backed by the full faith and credit of the government.

	Governmental Activities	
	2007	2006
General Obligation Bonds (net of discount)	\$ 2,182,580	\$ 2,369,542
General Obligation Highway State-Aid Note	<u>1,302,000</u>	<u>1,375,000</u>
Total Outstanding Debt	<u>\$ 3,484,580</u>	<u>\$ 3,744,542</u>

The County's net decrease in debt of \$259,962 (seven percent) during the fiscal year was attributable to the repayment of debt.

Minnesota Statutes limit the amount of debt that a County may have to two percent of its total market value, excluding revenue bonds. At the end of 2007, overall debt of the County is below the two percent debt limit.

Pennington County's bond rating is "Baa1" from Moody's. The bond rating is affected by overlapping debt of the school districts and cities.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for Pennington County was 8.5 percent as of December 31, 2007. This is higher than the statewide rate of 4.9 percent and the national average rate of 4.8 percent.
- Effective March 1, 2007, the Oakland Park Nursing Home was sold for \$2,000,000 and all assets were transferred to the new owners. Pending financing, the new owners agreed to pay \$12,000 per month in rent and \$3,000 per month in earnest money toward the purchase price. In December of 2007 the County Board granted a six-month extension to allow the new owners to continue pursuing financing through Housing and Urban Development. The closing date is set for September 30, 2008.
- On December 27, 2007, Pennington County set its 2008 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Pennington County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kenneth Olson, Pennington County Auditor, P.O. Box 616, Thief River Falls, Minnesota 56701.

BASIC FINANCIAL STATEMENTS

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

		<u>Governmental Activities</u>
<u>Assets</u>		
Cash and pooled investments	\$	6,340,427
Taxes receivable - prior		197,733
Special assessments receivable - prior		8,759
Accounts receivable		56,669
Accrued interest receivable		15,866
Contracts receivable		2,078,044
Due from other governments		885,364
Inventories		297,098
Deferred debt issuance costs		44,871
Special assessments receivable - noncurrent		42,625
Capital assets		
Non-depreciable		1,825,919
Depreciable - net of accumulated depreciation		46,875,959
Total Assets	\$	<u>58,669,334</u>
<u>Liabilities</u>		
Accounts payable	\$	314,336
Salaries payable		194,221
Contracts payable		233,386
Due to other governments		59,523
Accrued interest payable		52,614
Deferred revenue - unearned		35,455
Long-term liabilities		
Due within one year		571,196
Due in more than one year		3,338,654
Total Liabilities	\$	<u>4,799,385</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$	51,864,422
Restricted for		
General government		203,441
Public safety		4,172
Highways and streets		369,222
Conservation of natural resources		42,625
Debt service		344,456
Unrestricted		1,041,611
Total Net Assets	\$	<u><u>53,869,949</u></u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 2,106,695	\$ 635,687	\$ -
Public safety	3,223,234	1,190,165	361,694
Highways and streets	7,696,281	252,441	1,095,913
Sanitation	104,942	9,003	52,039
Human services	5,019,103	418,445	2,482,444
Health	48,093	120,000	-
Culture and recreation	132,972	-	-
Conservation of natural resources	385,085	16,037	152,069
Economic development	22,050	-	-
Interest	144,723	-	94,977
Total governmental activities	\$ 18,883,178	\$ 2,641,778	\$ 4,239,136
Business-type activities			
Oakland Park Nursing Home	\$ 1,334,511	\$ 1,248,630	\$ 8,894
Total	\$ 20,217,689	\$ 3,890,408	\$ 4,248,030

General revenues, transfers and other

Property taxes
 Grants and contributions not restricted to specific programs
 Payments in lieu of taxes
 Investment earnings
 Proceeds from sale of assets
 Transfers

Total general revenues, transfers and other

Change in net assets

Net assets - January 1

Net assets - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,471,008)	\$ -	\$ (1,471,008)
113,044	(1,558,331)	-	(1,558,331)
2,529,408	(3,818,519)	-	(3,818,519)
-	(43,900)	-	(43,900)
-	(2,118,214)	-	(2,118,214)
-	71,907	-	71,907
-	(132,972)	-	(132,972)
203,127	(13,852)	-	(13,852)
-	(22,050)	-	(22,050)
-	(49,746)	-	(49,746)
\$ 2,845,579	\$ (9,156,685)	\$ -	\$ (9,156,685)
\$ 79,962	\$ -	\$ 2,975	\$ 2,975
\$ 2,925,541	\$ (9,156,685)	\$ 2,975	\$ (9,153,710)
	\$ 5,085,178	\$ -	\$ 5,085,178
	1,562,352	-	1,562,352
	17,853	-	17,853
	238,467	-	238,467
	1,235,538	-	1,235,538
	651,997	(651,997)	-
	\$ 8,791,385	\$ (651,997)	\$ 8,139,388
	\$ (365,300)	\$ (649,022)	\$ (1,014,322)
	54,235,249	649,022	54,884,271
	\$ 53,869,949	\$ -	\$ 53,869,949

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General Fund	Special Revenue Funds			Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Human Services	Capital Improvement		
Assets						
Cash and pooled investments	\$ 3,747,448	\$ 228,769	\$ 925,928	\$ 37,535	\$ 1,400,747	\$ 6,340,427
Taxes receivable - prior	92,333	36,512	57,131	-	11,757	197,733
Special assessments receivable - prior	-	-	-	-	8,759	8,759
Accounts receivable	47,829	8,840	-	-	-	56,669
Accrued interest receivable	15,866	-	-	-	-	15,866
Contracts receivable	-	-	-	1,970,000	108,044	2,078,044
Due from other funds	102,279	5,625	-	-	-	107,904
Due from other governments	282,125	363,157	237,607	-	1,487	884,376
Inventories	-	297,098	-	-	-	297,098
Advances to other funds	-	-	-	-	87,818	87,818
Special assessments receivable - noncurrent	-	-	-	-	42,625	42,625
Total Assets	\$ 4,287,880	\$ 940,001	\$ 1,220,666	\$ 2,007,535	\$ 1,661,237	\$ 10,117,319

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General Fund	Special Revenue Funds			Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Human Services	Capital Improvement		
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 91,491	\$ 45,750	\$ 176,220	\$ -	\$ 875	\$ 314,336
Salaries payable	113,269	31,085	49,867	-	-	194,221
Contracts payable	-	233,386	-	-	-	233,386
Due to other funds	-	100,000	1,291	-	5,625	106,916
Due to other governments	17,930	3,951	28,657	-	8,985	59,523
Deferred revenue - unavailable	71,391	325,601	44,173	-	166,531	607,696
Deferred revenue - unearned	-	35,455	-	-	-	35,455
Advances from other funds	-	-	-	-	87,818	87,818
Total Liabilities	\$ 294,081	\$ 775,228	\$ 300,208	\$ -	\$ 269,834	\$ 1,639,351
Fund Balances						
Reserved for						
Advances to other funds	\$ -	\$ -	\$ -	\$ -	\$ 87,818	\$ 87,818
Attorney forfeited property	10,412	-	-	-	-	10,412
County State Aid Highway Allotment	-	71,851	-	-	-	71,851
Drug and Alcohol Resistance Education	3,134	-	-	-	-	3,134
Debt service	-	-	-	-	344,456	344,456
Enhanced 911	165,207	-	-	-	-	165,207
Hand gun permits	7,889	-	-	-	-	7,889
Help America Vote Act	50,958	-	-	-	-	50,958
Inventories	-	297,098	-	-	-	297,098
Jail radio project	3,204	-	-	-	-	3,204
Law library	17,894	-	-	-	-	17,894
Missing heirs	210	-	-	-	-	210
Recorder's equipment	67,253	-	-	-	-	67,253
Sheriff's forfeited property	4,172	-	-	-	-	4,172
Technology	67,126	-	-	-	-	67,126
Unreserved						
Designated for						
Capital improvements	453,715	-	-	2,007,535	-	2,461,250
Cash flows	2,580,137	-	920,458	-	-	3,500,595
Jail canteen	56,719	-	-	-	-	56,719
Natural resources	66,417	-	-	-	-	66,417
Undesignated	439,352	(204,176)	-	-	-	235,176
Unreserved, reported in nonmajor						
Special revenue funds	-	-	-	-	820,385	820,385
Debt service funds	-	-	-	-	138,744	138,744
Total Fund Balances	\$ 3,993,799	\$ 164,773	\$ 920,458	\$ 2,007,535	\$ 1,391,403	\$ 8,477,968
Total Liabilities and Fund Balances	\$ 4,287,880	\$ 940,001	\$ 1,220,666	\$ 2,007,535	\$ 1,661,237	\$ 10,117,319

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balances - total governmental funds (Exhibit 3)	\$ 8,477,968
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	48,701,878
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	607,696
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued interest payable	\$ (52,614)
General obligation bonds	(2,182,580)
General obligation notes	(1,302,000)
Compensated absences	(425,270)
Deferred debt issuance costs	44,871
	(3,917,593)
Net assets of governmental activities (Exhibit 1)	<u>\$ 53,869,949</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Special Revenue Funds			Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services	Capital Improvement		
Revenues						
Taxes	\$ 2,449,087	\$ 1,052,944	\$ 1,383,499	\$ -	\$ 264,282	\$ 5,149,812
Special assessments	-	-	-	-	210,131	210,131
Licenses and permits	4,005	-	-	-	-	4,005
Intergovernmental	1,461,943	4,143,056	2,832,852	-	93,962	8,531,813
Charges for services	1,534,424	100,502	61,489	-	4,232	1,700,647
Land and timber sales	-	-	-	-	640	640
Fines and forfeitures	22,341	-	-	-	-	22,341
Investment earnings	238,467	-	-	-	-	238,467
Miscellaneous	276,247	129,350	356,956	120,000	9,003	891,556
Total Revenues	\$ 5,986,514	\$ 5,425,852	\$ 4,634,796	\$ 120,000	\$ 582,250	\$ 16,749,412
Expenditures						
Current						
General government	\$ 2,039,232	\$ -	\$ -	\$ -	\$ -	\$ 2,039,232
Public safety	2,900,228	-	-	-	-	2,900,228
Highways and streets	-	4,530,659	-	-	-	4,530,659
Sanitation	-	-	-	-	92,921	92,921
Human services	32,628	-	4,968,676	-	-	5,001,304
Health	48,093	-	-	-	-	48,093
Culture and recreation	131,440	-	-	-	-	131,440
Conservation of natural resources	302,481	-	-	-	79,208	381,689
Economic development	22,050	-	-	-	-	22,050
Total Current	\$ 5,476,152	\$ 4,530,659	\$ 4,968,676	\$ -	\$ 172,129	\$ 15,147,616
Debt Service						
Principal retirement	\$ -	\$ 73,000	\$ -	\$ -	\$ 190,000	\$ 263,000
Interest	-	43,175	-	-	98,474	141,649
Total Debt Service	\$ -	\$ 116,175	\$ -	\$ -	\$ 288,474	\$ 404,649
Capital Outlay						
General government	\$ 14,000	\$ -	\$ -	\$ -	\$ -	\$ 14,000
Public safety	151,438	-	-	-	-	151,438
Highways and streets	-	65,787	-	-	-	65,787
Total Capital Outlay	\$ 165,438	\$ 65,787	\$ -	\$ -	\$ -	\$ 231,225
Total Expenditures	\$ 5,641,590	\$ 4,712,621	\$ 4,968,676	\$ -	\$ 460,603	\$ 15,783,490

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Special Revenue Funds			Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services	Capital Improvement		
Excess of Revenues Over (Under) Expenditures	\$ 344,924	\$ 713,231	\$ (333,880)	\$ 120,000	\$ 121,647	\$ 965,922
Other Financing Sources (Uses)						
Transfers in	\$ 622	\$ -	\$ -	\$ 651,997	\$ 18	\$ 652,637
Transfers out	-	-	-	-	(640)	(640)
Proceeds from sale of assets	-	-	-	1,235,538	-	1,235,538
Total Other Financing Sources (Uses)	\$ 622	\$ -	\$ -	\$ 1,887,535	\$ (622)	\$ 1,887,535
Net Change in Fund Balance	\$ 345,546	\$ 713,231	\$ (333,880)	\$ 2,007,535	\$ 121,025	\$ 2,853,457
Fund Balance - January 1	3,648,253	(604,477)	1,254,338	-	1,270,378	5,568,492
Increase (decrease) in reserved for inventories	-	56,019	-	-	-	56,019
Fund Balance - December 31	<u>\$ 3,993,799</u>	<u>\$ 164,773</u>	<u>\$ 920,458</u>	<u>\$ 2,007,535</u>	<u>\$ 1,391,403</u>	<u>\$ 8,477,968</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	2,853,457
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets and infrastructure	\$ (1,854,634)	
Current year depreciation	<u>(1,500,129)</u>	(3,354,763)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		(119,069)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Principal repayments		
Capital improvement bonds	\$ 190,000	
State-aid highway notes	<u>73,000</u>	263,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Amortization of discounts and deferred issuance charges	\$ (9,297)	
Change in accrued interest payable	3,392	
Change in compensated absences	(58,039)	
Change in inventories	<u>56,019</u>	<u>(7,925)</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u>(365,300)</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

		Oakland Park Nursing Home Enterprise Fund
Operating Revenues		
Charges for services	\$	1,245,006
Meals		2,654
Miscellaneous		970
		970
Total Operating Revenues	\$	1,248,630
Operating Expenses		
Administration	\$	478,373
Assisted living		3,624
Dietary services		171,896
Housekeeping		32,237
Laundry		28,301
Maintenance services		82,009
Nursing services		412,752
Other care related		92,929
Depreciation		32,328
		32,328
Total Operating Expenses	\$	1,334,449
Operating Income (Loss)	\$	(85,819)
Nonoperating Revenues (Expenses)		
Gifts and bequests	\$	163
Intergovernmental		8,894
Miscellaneous		79,737
		79,737
Total Nonoperating Revenues (Expenses)	\$	88,794
Income (Loss) Before Transfers	\$	2,975
Other Financing Sources (Uses)		
Transfers out		(651,997)
		(651,997)
Change in Net Assets	\$	(649,022)
Net Assets - October 1		649,022
Net Assets - September 30	\$	-

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
Increase (Decrease) in Cash and Cash Equivalents**

		<u>Oakland Park Nursing Home Enterprise Fund</u>
Cash Flows from Operating Activities		
Receipts from residents, programs, and other revenue	\$	1,723,660
Payments to employees		(1,007,675)
Payments to suppliers		(542,552)
		<hr/>
Net cash provided by (used in) operating activities	\$	173,433
Cash Flows from Noncapital Financing Activities		
Intergovernmental	\$	8,894
Miscellaneous payment		79,737
Restricted gifts and bequests		163
Transfer to Pennington County		(334,095)
		<hr/>
Net cash provided by (used in) noncapital financing activities	\$	(245,301)
Net Increase (Decrease) in Cash and Cash Equivalents	\$	(71,868)
Cash and Cash Equivalents at October 1		<hr/> 71,868
Cash and Cash Equivalents at September 30	\$	<hr/> -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$	(85,819)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$	32,328
Decrease (Increase) in assets		
Accounts receivable		475,030
Prepaid items		50,806
Increase (Decrease) in liabilities		
Accounts payable		(40,898)
Salaries payable		(24,483)
Accrued payroll taxes		(3,227)
Due to other governments		(15,620)
Compensated absences payable		(214,684)
		<hr/>
Total adjustments	\$	259,252
Net cash provided by (used in) operating activities	\$	<hr/> 173,433

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	<u>Agency (Statement 7)</u>
<u>Assets</u>	
Cash and pooled investments	\$ 492,152
Accounts receivable	329
Due from other funds	<u>16,823</u>
Total Assets	<u>\$ 509,304</u>
<u>Liabilities</u>	
Due to other funds	\$ 17,811
Due to other governments	<u>491,493</u>
Total Liabilities	<u>\$ 509,304</u>

PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

I. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Pennington County was established November 23, 1910, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes, Chapter 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor, elected on a County-wide basis, serves as the clerk of the Board but has no vote.

The County participates in joint ventures and jointly-governed organizations which are described in Notes section V, subdivisions E and F, respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) include the financial activities of the overall County government, except for the fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, charges, and fines paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues, transfers and other.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Financing is provided by annual tax levy, intergovernmental revenues designated for highways purposes, and charges for services.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs. Financing is provided by annual tax levy and intergovernmental revenues designated for human services.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Capital Improvement Special Revenue Fund was opened in 2007 to account for proceeds from the sale of the Oakland Park Nursing Home and is to be used for future County capital improvements.

The County reports the following major enterprise fund:

The Oakland Park Nursing Home Enterprise Fund is used to account for the operations of the County nursing home. This fund was closed in 2007 due to the sale of the nursing home. All assets were transferred to the new owners as of March 1, 2007.

Additionally, the County reports the following funds types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agency capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Cash and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2007 were \$238,467.

Pennington County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minnesota Statute, § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half due on October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans).

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

4. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in the proprietary fund and at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, land improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of \$5,000, except all land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Infrastructure, buildings and improvements, land improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Infrastructure	50-75
Buildings and improvements	5-40
Land improvements	10-20
Machinery and equipment	5-25

6. Compensated absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Deferred Revenue

Governmental funds and the government-wide financial statements defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources when issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Net Assets and Fund Balance

Certain funds of the County are classified as restricted net assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantor, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance

The Road and Bridge Special Revenue Fund had a deficit unreserved, undesignated fund balance of \$204,176 at December 31, 2007. This deficit will be eliminated with future levies.

B. Individual Fund Deficits of Equity Accounts

Eleven of the 47 active ditch systems incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following shows the unreserved, undesignated fund balance as of December 31, 2007:

Account balance	\$ 501,919
Account deficit	<u>(163,941)</u>
Fund Balance	<u>\$ 337,978</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

II. Stewardship, Compliance, and Accountability (Continued)

C. Land Management

The County manages approximately 2,170 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2007, are as follows:

Governmental funds		
Cash and pooled investments	\$	6,340,427
Fiduciary funds		
Cash and pooled investments		492,152
Total Cash and Investments	\$	6,832,579
Deposits	\$	3,136,704
Cash on hand		1,875
Investments		3,694,000
Total deposits, cash on hand, and investments	\$	6,832,579

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all County deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.

Investments

Minnesota Statutes, §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, § 118A.04, subdivision 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2007, the County had the following investments and maturities:

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Cash and Investments

Interest Rate Risk (Continued)

	Fair Value	Less Than 1 Year
Negotiable Certificates of Deposit	\$ 594,000	\$ 594,000
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	800,000	800,000
Money Market	2,300,000	2,300,000
Total Investments	\$ 3,694,000	\$ 3,694,000
	100%	100%

Credit Risk

Generally, a credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

The County's exposure to credit risk as of December 31, 2007, is as follows:

	S & P Rating	Fair Value
Negotiable Certificates of Deposit	N/A	\$ 594,000
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	N/R	800,000
Money Market	AAAm-G	2,300,000
		\$ 3,694,000

N/R – not rated
N/A – not applicable

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2007, \$1,800,000 of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, investment pools, and mutual funds. The County's negotiable certificates of deposit are with six separate financial institutions and are not exposed to concentration of credit risk.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 197,733	\$ -
Special Assessments	51,384	42,625
Accounts	56,669	-
Accrued interest	15,866	-
Contracts	2,078,044	-
Due from other governments	885,364	-
Total Governmental Activities	\$ 3,285,060	\$ 42,625

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2007, and for the business-type activities for the year ended September 30, 2007, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 464,569	\$ -	\$ -	\$ 464,569
Construction in progress	4,585,513	1,198,730	4,422,893	1,361,350
Total capital assets not depreciated	\$ 5,050,082	\$ 1,198,730	\$ 4,422,893	\$ 1,825,919
Capital assets being depreciated				
Infrastructure	\$ 57,672,123	\$ 1,288,312	\$ -	\$ 58,960,435
Buildings and improvements	4,528,586	-	-	4,528,586
Machinery and equipment	3,752,911	81,217	-	3,834,128
Total capital assets being depreciated	\$ 65,953,620	\$ 1,369,529	\$ -	\$ 67,323,149
Less: accumulated depreciation for				
Infrastructure	\$ 14,508,446	\$ 1,073,763	\$ -	\$ 15,582,209
Buildings and improvements	2,093,139	98,592	-	2,191,731
Machinery and equipment	2,345,476	327,774	-	2,673,250
Total accumulated depreciation	\$ 18,947,061	\$ 1,500,129	\$ -	\$ 20,447,190
Total capital assets depreciated, net	\$ 47,006,559	\$ (130,600)	\$ -	\$ 46,875,959
Governmental Activities Capital Assets, Net	\$ 52,056,641	\$ 1,068,130	\$ 4,422,893	\$ 48,701,878

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 11,800	\$ -	\$ 11,800	\$ -
Capital assets being depreciated				
Land improvements	\$ 60,168	\$ -	\$ 60,168	\$ -
Buildings and improvements	1,890,380	-	1,890,380	-
Equipment	<u>527,443</u>	<u>-</u>	<u>527,443</u>	<u>-</u>
Total capital assets being depreciated	\$ 2,477,991	\$ -	\$ 2,477,991	\$ -
Less: accumulated depreciation for				
Land improvements	\$ 52,162	\$ -	\$ 52,162	\$ -
Buildings and improvements	1,448,576	-	1,448,576	-
Equipment	<u>448,198</u>	<u>-</u>	<u>448,198</u>	<u>-</u>
Total accumulated depreciation	\$ 1,948,936	\$ -	\$ 1,948,936	\$ -
Total capital assets depreciated, net	\$ 529,055	\$ -	\$ 529,055	\$ -
Business-Type Activities				
Capital Assets, Net	<u>\$ 540,855</u>	<u>\$ -</u>	<u>\$ 540,855</u>	<u>\$ -</u>

Depreciation Expense

Depreciation expense was charged to functions of the County as follows:

Governmental Activities	
General government	\$ 80,468
Public safety	171,882
Highways and streets, including depreciation of infrastructure assets	1,226,566
Human services	7,660
Sanitation	12,021
Culture and recreation	<u>1,532</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,500,129</u>

Construction Commitments

The County had no active construction commitments as of December 31, 2007.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Road and Bridge SRF	\$ 100,000	Cash deficit
	Human Services SRF	1,291	Charges for services
	Agency	<u>988</u>	Charges for services and cash deficit
Total Due to General Fund		<u>\$ 102,279</u>	
Road and Bridge Special Revenue Fund	Other Governmental	<u>\$ 5,625</u>	Charges for services
Agency	Agency	<u>\$ 16,823</u>	Prepaid tax collections
Total Due To/From Other Funds		<u>\$ 124,727</u>	

Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Other Governmental	Other Governmental	<u>\$ 87,818</u>	Cash deficit

This advance will be paid back.

Interfund Transfers

Transfer to General Fund from Other Governmental	\$ 622	Forfeited tax sale proceeds
Transfer to Capital Improvement Special Revenue Fund from Oakland Park Nursing Home Enterprise Fund	651,997	To close fund
Transfer to Other Governmental from Other Governmental	<u>18</u>	Forfeited tax sale proceeds
Total Interfund Transfers	<u>\$ 652,637</u>	

C. Liabilities

Deferred Revenue

Governmental Funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer recognition in connection with resources that have been received, but not yet earned. As of December 31, 2007, Governmental Funds reported the following various components of deferred revenues:

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

D. Liabilities

Deferred Revenue (Continued)

	Deferred Unavailable	Deferred Unearned
Taxes	\$ 152,884	\$ -
Special Assessments	49,397	-
Contracts	405,415	35,455
Total Deferred Revenue	\$ 607,696	\$ 35,455

Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 21 days per year. Sick leave accrual is 12 days per year. Leave may be accumulated to a maximum of 24 days vacation and 100 days sick leave under the County's employment policy.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$480,561 at December 31, 2007, is available to employees in the event of illness-related absences and is not paid to them at termination.

Long-Term Debt

Governmental Activities

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2007
General Obligation Bonds					
1998 G.O. Jail Bonds	2014	\$50,000-\$70,000	4.45	\$ 750,000	\$ 415,000
1998 G.O. Capital Improvement Bonds	2019	\$40,000-\$150,000	4.53	1,410,000	1,180,000
2004 G.O. Capital Improvement Bonds	2014	\$50,000-\$65,000	3.44	535,000	400,000
2004 G.O. Refunding Bonds	2011	\$50,000-\$55,000	4.34	310,000	210,000
Less bond discount				\$ 3,005,000	\$ 2,205,000
				-	(22,420)
				\$ 3,005,000	\$ 2,182,580
2001 G.O. Highway State-Aid Note	2021	\$75,000-\$113,000	3.14	2,000,000	1,302,000
Total				\$ 5,005,000	\$ 3,484,580

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Governmental Activities

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds		2001 General Obligation Highway State-Aid Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 190,000	\$ 87,513	\$ 75,000	\$ 40,883	\$ 265,000	\$ 128,396
2009	200,000	80,601	78,000	38,528	278,000	119,129
2010	210,000	72,998	80,000	36,079	290,000	109,077
2011	220,000	64,657	83,000	33,567	303,000	98,224
2012	225,000	55,635	85,000	30,960	310,000	86,595
2013-2017	870,000	146,969	470,000	112,883	1,340,000	259,852
2018-2021	<u>290,000</u>	<u>13,275</u>	<u>431,000</u>	<u>34,351</u>	<u>721,000</u>	<u>47,626</u>
	\$2,205,000	\$ 521,648	\$ 1,302,000	\$ 327,251	\$3,507,000	\$ 848,899
Less bond discount	<u>(22,420)</u>	-	-	-	<u>(22,420)</u>	-
Total	<u>\$2,182,580</u>	<u>\$ 521,648</u>	<u>\$ 1,302,000</u>	<u>\$ 327,251</u>	<u>\$3,484,580</u>	<u>\$ 848,899</u>

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2007, and for the business-type activities for the year ended September 30, 2007, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds (net of discount)	\$ 2,369,542	\$ -	\$ 186,962	\$ 2,182,580	\$ 190,000
2001 General Obligation Highway State-Aid Note	1,375,000	-	73,000	1,302,000	75,000
Compensated absences	<u>367,231</u>	<u>500,935</u>	<u>442,896</u>	<u>425,270</u>	<u>306,196</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,111,773</u>	<u>\$ 500,935</u>	<u>\$ 702,858</u>	<u>\$ 3,909,850</u>	<u>\$ 571,196</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 214,684</u>	<u>\$ -</u>	<u>\$ 214,684</u>	<u>\$ -</u>	<u>\$ -</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

IV. Pension Plans

Defined Benefits Plans

Plan Description

All full-time and certain part-time employees of the County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, the Public Employee's Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates, are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent for each year of service. For Public Employees Correctional Fund Members, the annuity accrual rate is 1.9 percent for each year of service.

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

IV. Pension Plans

Defined Benefits Plans

Plan Description (Continued)

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	2007	2008
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2007	\$ 191,669	\$ 44,523	\$ 80,324
2006	171,298	35,462	78,456
2005	151,759	34,112	74,254

These amounts are equal to the contractually required contributions for each year as set by state statute.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

IV. Pension Plans

Defined Benefits Plans

Funding Policy (Continued)

Other Post-Employment Benefits – Retirees

In accordance with Minnesota Statutes, the County provides post-retirement health care benefits for certain retirees and their dependents. As of year-end, the County has 12 eligible participants. The County pays these benefits and is fully reimbursed by each participant. During 2007, the County expended \$65,832 for these benefits.

V. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to cover workers' compensation and property and casualty liabilities. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The Worker's Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items (Continued)

C. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2007.

D. Sale of Nursing Home

Effective March 1, 2007, the Oakland Park Nursing Home was sold for \$2,000,000 and all assets were transferred to the new owners. Pending financing, the new owners agreed to pay \$12,000 per month in rent and \$3,000 per month in earnest money toward the purchase price. In December of 2007 the County Board granted a six-month extension to allow the new owners to continue pursuing financing through Housing and Urban Development. The closing date is set for September 30, 2008.

E. Joint Ventures

Inter-County Nursing Service

The Inter-County Nursing Service was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59, and includes Pennington and Red Lake Counties. The purpose of the Nursing Service is to provide, through visits to individuals' homes, skilled public nursing care on a part-time or intermittent basis to residents of Pennington and Red Lake Counties.

Control of the Nursing Service is vested in the Inter-County Nursing Service Board, which is composed of one county commissioner and four others from each county, and a physician who may be from either county. In the event of dissolution of the Inter-County Nursing Service Board, the net assets of the Nursing Service at that time shall be divided between the counties in proportion to the contribution of each.

The Nursing Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the two counties. Pennington County contributed \$47,135 to the Nursing Service for the year ended December 31, 2007. Pennington County, in an agent capacity, reports the cash transactions of the Nursing Service as an agency fund on its financial statements. Complete financial information can be obtained from the Pennington County Auditor's Office or the Nursing Service's office, P.O. Box 616, Thief River Falls, Minnesota 56701.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established September 22, 1993, and amended May 4, 1995, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Cook, Itasca, Koochiching, Lake, Lake of the Woods, Marshall, Pennington, and St. Louis Counties. The purpose of the Land Use Coordinating Board is to formulate land use plans or general policies needed for the protection, sustainable use, and development of lands and natural resources in Northern Minnesota.

The Northern Counties Land Use Coordinating Board is composed of two elected county commissioners from each member county except St. Louis County, which has three members, as provided in the Land Use Coordinating Board's bylaws.

In the event of dissolution of the Northern Counties Land Use Coordinating Board, the net assets shall be distributed to the respective member counties in proportion to the contribution of each.

The Land Use Coordinating Board has no long-term debt. Financing is provided by appropriations from member counties. Pennington County did not contribute to the Land Use Coordinating Board for the year ended December 31, 2007. St. Louis County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements. Complete financial information can be obtained from the St. Louis County Auditor, 100 North Fifth Avenue West, Duluth, Minnesota 55802.

Northwest Minnesota Household Hazardous Waste Management Group

The Northwest Minnesota Household Hazardous Waste Management Group was formed in 1992 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Waste Management Group is to cooperatively manage, handle, and transport household hazardous waste, provide public education on safe waste management, and provide for the disposition of non-recyclable household hazardous waste materials.

Control of the Waste Management Group is vested in the Northwest Minnesota Household Hazardous Waste Management Group Joint Powers Board, which is composed of one county commissioner from each of the member counties, as provided in the Waste Management Group's bylaws.

Responsibility for budgeted expenditures is shared with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution, the net assets shall be divided among the member counties in the same proportion as their respective financial responsibilities.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Pennington County disbursed \$5,535 to the Waste Management Group for the year ended December 31, 2007. Clearwater County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor's Office or the Waste Management Group's office, P.O. Box 186, Bagley, Minnesota 56621.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, §§ 403.39 and 471.59. Members include Becker, Beltrami, Clearwater, Clay, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties and the City of Moorhead. The purpose of the Northwest Minnesota Regional Radio Board is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in the Northwest Minnesota Regional Radio Board, which is composed of one county commissioner from each member county and one city council member from the member city, appointed by their respective governing bodies as provided in the Northwest Minnesota Regional Radio Board's Joint Powers Agreement.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Pennington County did not contribute to the Northwest Regional Radio Board for the year ended December 31, 2007. Complete financial information can be obtained from Greater Northwest Emergency Medical Services, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota 56601.

Northwest Minnesota Six County Joint Powers Board

The Northwest Minnesota Six County Joint Powers Board was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Marshall, Pennington, Polk, and Red Lake Counties. The purpose of the Board is to receive and expend funds for beaver damage control.

The Northwest Minnesota Six County Joint Powers Board is composed of one representative appointed by each county board from the six counties. Each county also has one alternate appointed to the Board, and the Board may choose to have non-voting advisory members on the Board. In the event of dissolution, the net assets shall be distributed to the respective member counties in proportion to the contribution of each.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Northwest Minnesota Six County Joint Powers Board (Continued)

Financing is provided by grants from the State of Minnesota or contributions. Complete financial information can be obtained from the Red Lake Watershed District, P.O. Box 803, Thief River Falls, Minnesota 56701.

Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February, 1977, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NWSC is located in State Development Regions One and Two which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state with only 11 persons per square mile. The regions are known as “Pine to Prairie.” The NWSC provides service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The Northwest Service Cooperative’s purpose is to meet or exceed the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members.

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the Association is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the Association is vested in the Northwestern Counties Data Processing Security Association Joint Powers Board, which is composed of one county commissioner appointed by each member county board. In the event of dissolution, the net assets of the Association at that time shall be distributed to the respective member counties in proportion to the contribution of each.

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Pennington County did not contribute to the Association for the year ended December 31, 2007. Lake of the Woods County, in an agent capacity, reports the cash transactions of the Association as an agency fund on its financial statements. Complete financial information can be obtained from the Lake of the Woods County Auditor’s Office, 206 8th Avenue SE, Suite 260, Baudette, Minnesota 56623.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

Northwestern Minnesota Juvenile Center

The Northwestern Minnesota Juvenile Center was formed under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, effective August 1971, and includes Beltrami, Cass, Clearwater, Hubbard, Kittson, Lake of the Woods, Pennington, and Roseau Counties. The purpose of the Center is to provide rehabilitation and other services to juveniles under the jurisdiction of the court system. The offices of the Center are located in Bemidji, with satellite homes at various locations.

Control of the Center is vested in the Northwestern Minnesota Juvenile Center Joint Powers Board, which is composed of at least one member appointed by each participating county, as provided in the Center's bylaws. At present, there are 13 directors: Beltrami, Cass, Hubbard, Pennington, and Roseau Counties have two directors each; the other member counties have one director each. In the event of dissolution, the net assets of the Center shall be divided among the member counties in the same proportion as their respective financial responsibilities.

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Beltrami County, in an agent capacity, reports the cash transactions of the Northwestern Minnesota Juvenile Center as an agency fund on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer's Office or at the Center's office, P.O. Box 247, Bemidji, Minnesota 56601.

Paul Bunyan Task Force

The Paul Bunyan Task Force was established July 16, 1992, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Hubbard, Lake of the Woods, Mahnomen, Pennington, Red Lake, and Roseau Counties, and the Cities of Bemidji and Thief River Falls. The purpose of the Paul Bunyan Task Force is to assist member organizations in the investigation and prosecution of persons in violation of Minnesota statutes.

Control of the Paul Bunyan Task Force is established by a majority vote represented with one vote from each member organization. In the event of dissolution of the Task Force, the net assets shall be liquidated to the member organizations based on their percentage of population of all member counties and cities.

The Paul Bunyan Task Force has no long-term debt. Financing is provided by the profits from forfeitures and seizures pursuant to Minnesota Statute, § 609.531. The City of Bemidji, in an agent capacity, reports the cash transactions of the Task Force on its financial statements. Complete financial information can be obtained from the City of Bemidji, Administrative Offices - City Hall, 317 - 4th Street N.W., Bemidji, Minnesota 56601.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

Quin County Community Health Service

The Quin County Community Health Service was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the Health Service is to develop and implement policies and procedures to promote efficiency and economy in the delivery of community health services.

Control of the Health Service is vested in the Quin County Board of Health, which is composed of one member appointed from each of the member counties (total five members, as provided in the joint powers agreement). In the event of dissolution, the net assets of the Health Service shall be divided among the member counties in the same proportion as their respective financial responsibilities as determined by county population.

The Health Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the member counties when needed. Marshall County, in an agent capacity, reports the cash transactions of the Health Service as an agency fund on its financial statements. Complete financial information can be obtained from the Marshall County Auditor/Treasurer's Office or the Health Service's office, Newfolden, Minnesota 56738.

Red Lake River Corridor

The Red Lake River Corridor Joint Powers Board was formed in 2003 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher and East Grand Forks; the Counties of Polk, Red Lake, Pennington; and the Red Lake Band of Chippewa Reservation. The purpose of the Board is for the development and enhancement of recreational and natural resources along the Red Lake River.

The Red Lake River Corridor Joint Powers Board is composed of one member for each participating entity. Each participant may also have one alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net assets shall be distributed to the respective members in proportion to the contribution of each.

Financing is provided by contributions from members. The County did not make a contribution to the Board in 2007. Complete financial information can be obtained from the Pembina Trail R C & D, 2605 Wheat Drive, Red Lake Falls, Minnesota 56750.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items (Continued)

F. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the Local Elected Officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

Minnesota Counties Computer Consortium

The Minnesota Counties Computer Consortium was formed in 1979 pursuant to Minnesota Statute, § 471.59 and includes 24 counties. Control of the Consortium is vested in the Joint Data Processing Board which is composed of one representative and one alternate appointed by each member county. The County's responsibility does not extend beyond making this appointment.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomon, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County contributed \$2,100 to the Caucus for the year ended December 31, 2007.

Multi-Cultural Events Center Joint Powers Board

The Multi-Cultural Events Center Joint Powers Board was formed in 1995 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Pennington County, the City of Thief River Falls, Independent School District No. 564, Northland Community College, and Northwest Technical College. The Joint Powers Board is composed of one director appointed by the governing body of each member, with one alternate designated for each director, as provided in the Joint Powers Board's bylaws. The County did not contribute to the Multi-Cultural Events Center Joint Powers Board in 2007.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

The Northwest Minnesota Multi-County Housing and Redevelopment Authority (HRA) was formed pursuant to Minnesota Statute, § 469.004, effective September 1972, and includes Kittson, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. Control of the HRA is vested in the HRA Board which is composed of six members with indefinite terms made up of one member appointed by each board of county commissioners. Pennington County's responsibility does not extend beyond making this appointment.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

Northwest Regional Library

The Northwest Regional Library was formed pursuant to Minnesota Statutes, §§ 134.20 and 471.59, effective January 1, 1981, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. Control of the Library is vested in the Northwest Regional Library Board which is composed of 16 members with staggered terms made up of the following: one member appointed by each board of county commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Pennington County appropriated \$80,000 to the Library for the year ended December 31, 2007.

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, composed of 18 members with one representative from each of the seven counties, three members at large, and eight members representing local agencies. In the event of dissolution of the Northwest Workforce Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Pennington County Family Service Collaborative

The Pennington County Family Service Collaborative was formed pursuant to Minnesota Statute, § 124D.23, effective July 1, 1996, and includes Pennington County, Thief River Falls Independent School District 564, and the Inter-County Nursing Service. Control of the Collaborative is vested in the Family Service Collaborative Board and includes at least one member from the public entities along with other members of the general public. Pennington County has accepted responsibility as the fiscal agent for reporting, claiming, and receiving payments.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minnesota Statute, § 103D.201, effective January 25, 1969, and includes land within Beltrami, Clearwater, Itasca, Koochiching, Mahnomen, Marshall, Pennington, Red Lake, and Roseau Counties. Control of the District is vested in the Red Lake Watershed District Board of Managers which is composed of seven members having staggered terms of three years each, with two appointed by the Polk County Board and one each appointed by the County Boards of Beltrami, Clearwater, Marshall, Pennington, and Red Lake. Pennington County's responsibility does not extend beyond making this appointment.

REQUIRED SUPPLEMENTARY INFORMATION

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,450,922	\$ 2,450,922	\$ 2,449,087	\$ (1,835)
Licenses and permits	3,425	3,425	4,005	580
Intergovernmental	1,203,104	1,203,104	1,461,943	258,839
Charges for services	1,624,619	1,624,619	1,534,424	(90,195)
Fines and forfeitures	28,000	28,000	22,341	(5,659)
Investment earnings	75,000	75,000	238,467	163,467
Miscellaneous	335,240	335,240	276,247	(58,993)
Total Revenues	\$ 5,720,310	\$ 5,720,310	\$ 5,986,514	\$ 266,204
Expenditures				
Current				
General government				
Commissioners	\$ 197,731	\$ 197,731	\$ 295,054	\$ (97,323)
District court	17,962	17,962	16,803	1,159
Law library	21,000	21,000	14,977	6,023
County auditor	275,161	275,161	280,097	(4,936)
License bureau	193,458	193,458	180,588	12,870
County treasurer	104,221	104,221	101,066	3,155
County assessor	193,171	193,171	182,758	10,413
Elections	2,000	2,000	8,233	(6,233)
Professional services	-	-	15,650	(15,650)
Data processing	101,825	101,825	93,498	8,327
Attorney	281,744	281,744	277,357	4,387
Recorder	227,343	227,343	174,033	53,310
Buildings and grounds	209,672	209,672	258,073	(48,401)
Veterinarian	259	259	-	259
Veterans service officer	64,925	64,925	66,383	(1,458)
Insurance	27,300	27,300	28,087	(787)
Other general government	284,400	284,400	46,575	237,825
Total general government	\$ 2,202,172	\$ 2,202,172	\$ 2,039,232	\$ 162,940

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 742,911	\$ 742,911	\$ 752,330	\$ (9,419)
Coroner	12,258	12,258	7,747	4,511
County jail	1,183,144	1,183,144	1,331,370	(148,226)
DARE program	2,500	2,500	3,192	(692)
Enhanced 911	7,000	7,000	5,261	1,739
Emergency services	17,646	17,646	34,073	(16,427)
Jail canteen fund	41,000	41,000	43,700	(2,700)
Juvenile justice	2,500	2,500	19,188	(16,688)
Law enforcement center	449,883	449,883	383,617	66,266
Probation and parole	36,500	36,500	36,075	425
Sentence to service	167,662	167,662	165,202	2,460
Snowmobile safety	-	-	972	(972)
Training	3,800	3,800	5,782	(1,982)
Victim assistance	98,801	98,801	110,904	(12,103)
Other public safety	1,500	1,500	815	685
Total public safety	\$ 2,767,105	\$ 2,767,105	\$ 2,900,228	\$ (133,123)
Human Services				
Buildings and grounds	\$ 30,850	\$ 30,850	\$ 32,628	\$ (1,778)
Health				
Nursing service	\$ 49,725	\$ 49,725	\$ 47,135	\$ 2,590
County health officer	958	958	958	-
Total health	\$ 50,683	\$ 50,683	\$ 48,093	\$ 2,590
Culture and recreation				
Historical society	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Parks	7,000	7,000	6,342	658
Regional library	80,000	80,000	80,000	-
Senior citizens	1,000	1,000	1,000	-
Snowmobile and ski trails	30,000	30,000	31,098	(1,098)
Total culture and recreation	\$ 131,000	\$ 131,000	\$ 131,440	\$ (440)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Agricultural society/county fair	\$ 9,500	\$ 9,500	\$ 11,005	\$ (1,505)
Agriculture inspection	200	200	35	165
Area Ag Information Center	5,000	5,000	5,000	-
Cooperative extension	139,942	139,942	141,213	(1,271)
Soil and water conservation	138,500	138,500	141,054	(2,554)
Other conservation of natural resources	4,705	4,705	4,174	531
Total conservation of natural resources	\$ 297,847	\$ 297,847	\$ 302,481	\$ (4,634)
Economic development				
Housing and Redevelopment Authority	\$ 5,000	\$ 5,000	\$ 10,000	\$ (5,000)
Minnesota Heartland	200	200	250	(50)
Red River Valley Development	800	800	800	-
Tri-Valley Opportunity Council	11,922	11,922	11,000	922
Total economic development	\$ 17,922	\$ 17,922	\$ 22,050	\$ (4,128)
Capital outlay				
General government	\$ 29,500	\$ 29,500	\$ 14,000	\$ 15,500
Public safety	89,850	89,850	151,438	(61,588)
Total capital outlay	\$ 119,350	\$ 119,350	\$ 165,438	\$ (46,088)
Total Expenditures	\$ 5,616,929	\$ 5,616,929	\$ 5,641,590	\$ (24,661)
Excess of Revenues Over (Under) Expenditures	\$ 103,381	\$ 103,381	\$ 344,924	\$ 241,543
Other Financing Sources (Uses)				
Transfers in	\$ 10,000	\$ 10,000	\$ 622	\$ (9,378)
Transfers out	(100,000)	(100,000)	-	(100,000)
Total Other Financing Sources (Uses)	\$ (90,000)	\$ (90,000)	\$ 622	\$ (109,378)
Net Change in Fund Balance	\$ 13,381	\$ 13,381	\$ 345,546	\$ 132,165
Fund Balance - January 1	3,648,253	3,648,253	3,648,253	-
Fund Balance - December 31	\$ 3,661,634	\$ 3,661,634	\$ 3,993,799	\$ 132,165

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,087,381	\$ 1,087,381	\$ 1,052,944	\$ (34,437)
Intergovernmental	4,864,527	4,864,527	4,143,056	(721,471)
Charges for services	60,000	60,000	100,502	40,502
Miscellaneous	277,691	277,691	129,350	(148,341)
Total Revenues	\$ 6,289,599	\$ 6,289,599	\$ 5,425,852	\$ (863,747)
Expenditures				
Current				
Highways and Streets				
Administration	\$ 254,767	\$ 254,767	\$ 249,614	\$ 5,153
Maintenance	530,217	530,217	513,005	17,212
Construction	3,482,000	3,482,000	2,148,865	1,333,135
Equipment maintenance and shop	1,530,829	1,530,829	1,395,965	134,864
Town roads	-	-	125,036	(125,036)
Other highways and streets	198,191	198,191	98,174	100,017
Total highways and streets	\$ 5,996,004	\$ 5,996,004	\$ 4,530,659	\$ 1,465,345
Debt Service				
Principal retirement	\$ 70,000	\$ 70,000	\$ 73,000	\$ (3,000)
Interest	46,404	46,404	43,175	3,229
Total debt service	\$ 116,404	\$ 116,404	\$ 116,175	\$ 229
Capital Outlay				
Highways and streets	\$ 90,000	\$ 90,000	\$ 65,787	\$ 24,213
Total Expenditures	\$ 6,202,408	\$ 6,202,408	\$ 4,712,621	\$ 1,489,787
Excess of Revenues Over (Under) Expenditures	\$ 87,191	\$ 87,191	\$ 713,231	\$ 626,040
Fund Balance - January 1	(604,477)	(604,477)	(604,477)	-
Increase (decrease) in reserved for inventories	-	-	56,019	56,019
Fund Balance - December 31	\$ (517,286)	\$ (517,286)	\$ 164,773	\$ 682,059

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,800,000	\$ 1,800,000	\$ 1,383,499	\$ (416,501)
Intergovernmental	2,485,000	2,530,000	2,832,852	302,852
Charges for services	200,000	200,000	61,489	(138,511)
Miscellaneous	90,000	90,000	356,956	266,956
Total Revenues	\$ 4,575,000	\$ 4,620,000	\$ 4,634,796	\$ 14,796
Expenditures				
Current				
Human Services				
Income maintenance	\$ 1,050,000	\$ 1,050,000	\$ 1,137,805	\$ (87,805)
Social services	3,515,000	3,515,000	3,830,871	(315,871)
Total Expenditures	\$ 4,565,000	\$ 4,565,000	\$ 4,968,676	\$ (403,676)
Excess of Revenues Over (Under) Expenditures	\$ 10,000	\$ 55,000	\$ (333,880)	\$ (388,880)
Fund Balance - January 1	1,254,338	1,254,338	1,254,338	-
Fund Balance - December 31	\$ 1,264,338	\$ 1,309,338	\$ 920,458	\$ (388,880)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Other Financing Sources (Uses)				
Transfers in	\$ 650,000	\$ 650,000	\$ 651,997	\$ 1,997
Proceeds from sale of assets	1,230,000	1,230,000	1,235,538	5,538
Total Other Financing Sources (Uses)	\$ 1,880,000	\$ 1,880,000	\$ 1,887,535	\$ 7,535
Net Change in Fund Balance	\$ 2,000,000	\$ 2,000,000	\$ 2,007,535	\$ 7,535
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ 2,000,000	\$ 2,000,000	\$ 2,007,535	\$ 7,535

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

I. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

On or before the last Tuesday in August of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds a public hearing, and then a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

II. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2007:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Commissioners	\$ 295,054	\$ 197,731	\$ (97,323)
County auditor	280,097	275,161	(4,936)
Elections	8,233	2,000	(6,233)
Professional services	15,650	-	(15,650)
Buildings and grounds	258,073	209,672	(48,401)
Veterans service officer	66,383	64,925	(1,458)
Insurance	28,087	27,300	(787)
Public safety			
Sheriff	752,330	742,911	(9,419)
County jail	1,331,370	1,183,144	(148,226)
DARE program	3,192	2,500	(692)
Emergency services	34,073	17,646	(16,427)
Jail canteen fund	43,700	41,000	(2,700)
Juvenile justice	19,188	2,500	(16,688)
Snowmobile safety	972	-	(972)
Training	5,782	3,800	(1,982)
Victim assistance	110,904	98,801	(12,103)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

II. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Human services			
Buildings and grounds	\$ 32,628	\$ 30,850	\$ (1,778)
Culture and recreation			
Snowmobile and ski trails	31,098	30,000	(1,098)
Conservation of natural resources			
Agricultural society/county fair	11,005	9,500	(1,505)
Cooperative extension	141,213	139,942	(1,271)
Soil and water conservation	141,054	138,500	(2,554)
Economic development			
Housing and Redevelopment Authority	10,000	5,000	(5,000)
Minnesota Heartland	250	200	(50)
Capital outlay			
Public safety	151,438	89,850	(61,588)
Road and Bridge Special Revenue Fund			
Highways and streets			
Town roads	125,036	-	(125,036)
Debt service			
Principal retirement	73,000	70,000	(3,000)
Human Services Special Revenue Fund			
Human services			
Income maintenance	1,137,805	1,050,000	(87,805)
Social services	3,830,871	3,515,000	(315,871)

SUPPLEMENTARY INFORMATION

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Ditch Special Revenue Fund is used to account for the operation and maintenance of County and joint county drainage systems. Financing is provided by special assessments levied against benefited properties.

The Forfeited Tax Sale Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minnesota Statutes, Chapter 282 and various forest and timber management grants. The net proceeds, after deducting allowable expenses, are apportioned to various County funds and taxing districts. Titles to the tax-forfeited lands remains with the State until the lands are sold by the County.

The Solid Waste Special Revenue Fund is used to account for solid waste activities. Financing is provided by intergovernmental revenue and user service charges.

Debt Service Funds

The Elevator and Long's Bridge Debt Service Fund is used to account for the accumulation of resources for and the payment of capital improvements bonds, interest, and related costs.

The Highway Capital Improvement Debt Service Fund is used to account for the accumulation of resources for and the payment of highway capital improvement bonds, interest, and related costs.

The Law Enforcement Radio Debt Service Fund is used to account for the accumulation of resources for and the payment of law enforcement radio bonds, interest, and related costs.

The Minimum Security Facility Debt Service Fund is used to account for the accumulation of resources for and the payment of minimum security facility bonds, interest, and related costs.

The Solid Waste Facility Debt Service Fund is used to account for the accumulation of resources for and the payment of solid waste facility bonds, interest, and related costs.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>Special Revenue (Statement 3)</u>	<u>Debt Service (Statement 5)</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 920,136	\$ 480,611	\$ 1,400,747
Taxes receivable - prior	343	11,414	11,757
Special assessments receivable - prior	8,759	-	8,759
Contracts receivable	-	108,044	108,044
Due from other governments	1,487	-	1,487
Advances to other funds	87,818	-	87,818
Special assessments receivable - noncurrent	42,625	-	42,625
	\$ 1,061,168	\$ 600,069	\$ 1,661,237
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 875	\$ -	\$ 875
Due to other funds	5,625	-	5,625
Due to other governments	8,985	-	8,985
Deferred revenue - unavailable	49,662	116,869	166,531
Advances from other funds	87,818	-	87,818
	\$ 152,965	\$ 116,869	\$ 269,834
Fund Balances			
Reserved for			
Advances to other funds	\$ 87,818	\$ -	\$ 87,818
Debt service	-	344,456	344,456
Unreserved			
Designated for			
Cash flows	74,271	-	74,271
Debt service	-	138,744	138,744
Undesignated	746,114	-	746,114
	\$ 908,203	\$ 483,200	\$ 1,391,403
Total Fund Balances	\$ 908,203	\$ 483,200	\$ 1,391,403
Total Liabilities and Fund Balances	\$ 1,061,168	\$ 600,069	\$ 1,661,237

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Special Revenue (Statement 4)	Debt Service (Statement 6)	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	\$ 21	\$ 264,261	\$ 264,282
Special assessments	210,131	-	210,131
Intergovernmental	52,039	41,923	93,962
Charges for services	4,232	-	4,232
Land and timber sales	640	-	640
Miscellaneous	9,003	-	9,003
Total Revenues	\$ 276,066	\$ 306,184	\$ 582,250
Expenditures			
Current			
Sanitation	\$ 92,921	\$ -	\$ 92,921
Conservation of natural resources	79,208	-	79,208
Total Current	\$ 172,129	\$ -	\$ 172,129
Debt Service			
Principal retirement	\$ -	\$ 190,000	\$ 190,000
Interest	2,831	95,643	98,474
Total Debt Service	\$ 2,831	\$ 285,643	\$ 288,474
Total Expenditures	\$ 174,960	\$ 285,643	\$ 460,603
Excess of Revenues Over (Under)			
Expenditures	\$ 101,106	\$ 20,541	\$ 121,647
Other Financing Sources (Uses)			
Transfers in	\$ 18	\$ -	\$ 18
Transfers out	(640)	-	(640)
Total Other Financing Sources (Uses)	\$ (622)	\$ -	\$ (622)
Net Change in Fund Balance	\$ 100,484	\$ 20,541	\$ 121,025
Fund Balance - January 1	807,719	462,659	1,270,378
Fund Balance - December 31	\$ 908,203	\$ 483,200	\$ 1,391,403

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	Ditch	Forfeited Tax Sale	Solid Waste	Total (Statement 1)
<u>Assets</u>				
Cash and pooled investments	\$ 436,469	\$ 450	\$ 483,217	\$ 920,136
Taxes receivable - prior	-	-	343	343
Special assessments receivable - prior	8,759	-	-	8,759
Due from other governments	1,487	-	-	1,487
Advances to other funds	-	-	87,818	87,818
Special assessments receivable - noncurrent	42,625	-	-	42,625
Total Assets	\$ 489,340	\$ 450	\$ 571,378	\$ 1,061,168
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 187	\$ 688	\$ 875
Due to other funds	5,625	-	-	5,625
Due to other governments	8,522	263	200	8,985
Deferred revenue - unavailable	49,397	-	265	49,662
Advances from other funds	87,818	-	-	87,818
Total Liabilities	\$ 151,362	\$ 450	\$ 1,153	\$ 152,965
 Fund Balances				
Reserved for advances to other funds	\$ -	\$ -	\$ 87,818	\$ 87,818
Unreserved				
Designated for cash flows	-	-	74,271	74,271
Undesignated	337,978	-	408,136	746,114
Total Fund Balances	\$ 337,978	\$ -	\$ 570,225	\$ 908,203
Total Liabilities and Fund Balances	\$ 489,340	\$ 450	\$ 571,378	\$ 1,061,168

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Ditch	Forfeited Tax Sale	Solid Waste	Total (Statement 2)
Revenues				
Taxes	\$ -	\$ -	\$ 21	\$ 21
Special assessments	210,131	-	-	210,131
Intergovernmental	-	-	52,039	52,039
Charges for services	4,232	-	-	4,232
Land and timber sales	-	640	-	640
Miscellaneous	-	-	9,003	9,003
Total Revenues	\$ 214,363	\$ 640	\$ 61,063	\$ 276,066
Expenditures				
Current				
Sanitation	\$ -	\$ -	\$ 92,921	\$ 92,921
Conservation of natural resources	79,208	-	-	79,208
Total Current	\$ 79,208	\$ -	\$ 92,921	\$ 172,129
Debt Service				
Interest	\$ 2,831	\$ -	\$ -	\$ 2,831
Total Expenditures	\$ 82,039	\$ -	\$ 92,921	\$ 174,960
Excess of Revenues Over (Under)				
Expenditures	\$ 132,324	\$ 640	\$ (31,858)	\$ 101,106
Other Financing Sources (Uses)				
Transfers in	\$ 18	\$ -	\$ -	\$ 18
Transfers out	-	(640)	-	(640)
Total Other Financing Sources (Uses)	\$ 18	\$ (640)	\$ -	\$ (622)
Net Change in Fund Balance	\$ 132,342	\$ -	\$ (31,858)	\$ 100,484
Fund Balance - January 1	205,636	-	602,083	807,719
Fund Balance - December 31	\$ 337,978	\$ -	\$ 570,225	\$ 908,203

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2007**

	Elevator and Long's Bridge	Highway Capital Improvement
<u>Assets</u>		
Cash and pooled investments	\$ 92,626	\$ 96,163
Taxes receivable - prior	2,365	3,503
Contracts receivable	-	-
	\$ 94,991	\$ 99,666
<u>Liabilities and Fund Balances</u>		
Liabilities		
Deferred revenue - unavailable	\$ 1,829	\$ 2,708
Fund Balances		
Reserved for debt service	\$ 93,162	\$ 96,958
Unreserved		
Designated for debt service	-	-
	\$ 93,162	\$ 96,958
Total Fund Balances	\$ 93,162	\$ 96,958
Total Liabilities and Fund Balances	\$ 94,991	\$ 99,666

Statement 5

<u>Law Enforcement Radio</u>	<u>Minimum Security Facility</u>	<u>Solid Waste Facility</u>	<u>Total (Statement 1)</u>
\$ 69,290	\$ 84,027	\$ 138,505	\$ 480,611
1,832	2,660	1,054	11,414
108,044	-	-	108,044
<u>\$ 179,166</u>	<u>\$ 86,687</u>	<u>\$ 139,559</u>	<u>\$ 600,069</u>
\$ 109,460	\$ 2,057	\$ 815	\$ 116,869
\$ 69,706	\$ 84,630	\$ -	\$ 344,456
-	-	138,744	138,744
<u>\$ 69,706</u>	<u>\$ 84,630</u>	<u>\$ 138,744</u>	<u>\$ 483,200</u>
<u>\$ 179,166</u>	<u>\$ 86,687</u>	<u>\$ 139,559</u>	<u>\$ 600,069</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Elevator and Long's Bridge	Highway Capital Improvement
Revenues		
Taxes	\$ 53,559	\$ 86,439
Intergovernmental	7,478	12,077
Total Revenues	\$ 61,037	\$ 98,516
Expenditures		
Debt Service		
Principal retirement	\$ 50,000	\$ 40,000
Interest	7,881	53,144
Total Expenditures	\$ 57,881	\$ 93,144
Excess of Revenues Over (Under) Expenditures	\$ 3,156	\$ 5,372
Fund Balance - January 1	90,006	91,586
Fund Balance - December 31	\$ 93,162	\$ 96,958

Statement 6

Law Enforcement Radio	Minimum Security Facility	Solid Waste Facility	Total (Statement 2)
\$ 59,997	\$ 64,254	\$ 12	\$ 264,261
13,394	8,974	-	41,923
\$ 73,391	\$ 73,228	\$ 12	\$ 306,184
\$ 50,000	\$ 50,000	\$ -	\$ 190,000
14,864	19,754	-	95,643
\$ 64,864	\$ 69,754	\$ -	\$ 285,643
\$ 8,527	\$ 3,474	\$ 12	\$ 20,541
61,179	81,156	138,732	462,659
\$ 69,706	\$ 84,630	\$ 138,744	\$ 483,200

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 152,000	\$ 152,000	\$ 210,131	\$ 58,131
Charges for services	-	-	4,232	4,232
Total Revenues	\$ 152,000	\$ 152,000	\$ 214,363	\$ 62,363
Expenditures				
Current				
Conservation of natural resources				
Administration	\$ -	\$ -	\$ 516	\$ (516)
Ditch maintenance and repair	152,000	152,000	69,533	82,467
Middle River/Snake River Watershed	-	-	9,159	(9,159)
Total conservation of natural resources	\$ 152,000	\$ 152,000	\$ 79,208	\$ 72,792
Debt service				
Interest	-	-	2,831	(2,831)
Total Expenditures	\$ 152,000	\$ 152,000	\$ 82,039	\$ 69,961
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 132,324	\$ 132,324
Other Financing Sources (Uses)				
Transfers in	-	-	18	18
Net Change in Fund Balance	\$ -	\$ -	\$ 132,342	\$ 132,342
Fund Balance - January 1	205,636	205,636	205,636	-
Fund Balance - December 31	\$ 205,636	\$ 205,636	\$ 337,978	\$ 132,342

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Land and timber sales	\$ 10,000	\$ 10,000	\$ 640	\$ (9,360)
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	10,000	\$ 10,000	-	\$ 10,000
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 640	\$ 640
Other Financing Sources (Uses)				
Transfers out	-	-	(640)	(640)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ -	\$ -	\$ -	\$ -

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 100	\$ 100	\$ 21	\$ (79)
Intergovernmental	49,118	49,118	52,039	2,921
Miscellaneous	100,000	100,000	9,003	(90,997)
Total Revenues	\$ 149,218	\$ 149,218	\$ 61,063	\$ (88,155)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 116,600	\$ 116,600	\$ 71,830	\$ 44,770
Recycling	61,398	61,398	21,091	40,307
Total Expenditures	\$ 177,998	\$ 177,998	\$ 92,921	\$ 85,077
Excess of Revenues Over (Under) Expenditures	\$ (28,780)	\$ (28,780)	\$ (31,858)	\$ (3,078)
Fund Balance - January 1	602,083	602,083	602,083	-
Fund Balance - December 31	\$ 573,303	\$ 573,303	\$ 570,225	\$ (3,078)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
ELEVATOR AND LONG'S BRIDGE DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 53,793	\$ 53,793	\$ 53,559	\$ (234)
Intergovernmental	7,300	7,300	7,478	178
Total Revenues	\$ 61,093	\$ 61,093	\$ 61,037	\$ (56)
Expenditures				
Debt service				
Principal retirement	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Interest	7,900	7,900	7,881	19
Total Expenditures	\$ 57,900	\$ 57,900	\$ 57,881	\$ 19
Excess of Revenues Over (Under) Expenditures	\$ 3,193	\$ 3,193	\$ 3,156	\$ (37)
Fund Balance - January 1	90,006	90,006	90,006	-
Fund Balance - December 31	\$ 93,199	\$ 93,199	\$ 93,162	\$ (37)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
HIGHWAY CAPITAL IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 86,717	\$ 86,717	\$ 86,439	\$ (278)
Intergovernmental	12,100	12,100	12,077	(23)
Total Revenues	\$ 98,817	\$ 98,817	\$ 98,516	\$ (301)
Expenditures				
Debt service				
Principal retirement	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Interest	53,163	53,163	53,144	19
Total Expenditures	\$ 93,163	\$ 93,163	\$ 93,144	\$ 19
Excess of Revenues Over (Under) Expenditures	\$ 5,654	\$ 5,654	\$ 5,372	\$ (282)
Fund Balance - January 1	91,586	91,586	91,586	-
Fund Balance - December 31	\$ 97,240	\$ 97,240	\$ 96,958	\$ (282)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT RADIO DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 60,212	\$ 60,212	\$ 59,997	\$ (215)
Intergovernmental	7,882	7,882	13,394	5,512
Total Revenues	\$ 68,094	\$ 68,094	\$ 73,391	\$ 5,297
Expenditures				
Debt service				
Principal retirement	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Interest	15,483	15,483	14,864	619
Total Expenditures	\$ 65,483	\$ 65,483	\$ 64,864	\$ 619
Excess of Revenues Over (Under) Expenditures	\$ 2,611	\$ 2,611	\$ 8,527	\$ 5,916
Fund Balance - January 1	61,179	61,179	61,179	-
Fund Balance - December 31	\$ 63,790	\$ 63,790	\$ 69,706	\$ 5,916

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 11

**BUDGETARY COMPARISON SCHEDULE
MINIMUM SECURITY FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 64,100	\$ 64,100	\$ 64,254	\$ 154
Intergovernmental	9,450	9,450	8,974	(476)
Total Revenues	\$ 73,550	\$ 73,550	\$ 73,228	\$ (322)
Expenditures				
Debt service				
Principal retirement	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Interest	19,773	19,773	19,754	19
Total Expenditures	\$ 69,773	\$ 69,773	\$ 69,754	\$ 19
Excess of Revenues Over (Under) Expenditures	\$ 3,777	\$ 3,777	\$ 3,474	\$ (303)
Fund Balance - January 1	81,156	81,156	81,156	-
Fund Balance - December 31	\$ 84,933	\$ 84,933	\$ 84,630	\$ (303)

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 12

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 12	\$ 12
Fund Balance - January 1	<u>138,732</u>	<u>138,732</u>	<u>138,732</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 138,732</u>	<u>\$ 138,732</u>	<u>\$ 138,744</u>	<u>\$ 12</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

AGENCY FUNDS

The Group Insurance Agency Fund is used to account for the employer's share of group insurance. Funds are provided for payment of the insurance from the General Fund and special revenue funds.

The Inter-County Nursing Service Agency Fund is used to account for the cash transactions of the Inter-County Nursing Service.

The Northwest Regional Development Commission Agency Fund is used to account for the collection and payment of funds due to the Northwest Regional Development Commission.

The Nursing Home Residents Agency Fund is used to account for money belonging to residents of Oakland Park Nursing Home, which is held in trust by the County.

The Prepaid Taxes Agency Fund is used to account for the payment of taxes prior to the preparation of tax statements or prior to January 1 of the year due.

The School Districts Agency Fund is used to account for the collection and payment of funds due to school districts.

The State Agency Fund is used to account for the collection and payment of funds due to the State of Minnesota.

The Taxes and Penalties Agency Fund is used to account for the collection of taxes, penalties, and special assessments and their payment to the various County funds and taxing districts.

The Towns and Cities Agency Fund is used to account for the collection and payment of funds due to towns and cities.

The Watersheds Agency Fund is used to account for the collection and payment of funds due to watershed districts.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 7

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GROUP INSURANCE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,361,861	\$ 1,361,861	\$ -
Accounts receivable	5,221	329	5,221	329
Total Assets	\$ 5,221	\$ 1,362,190	\$ 1,367,082	\$ 329
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,361,861	\$ 1,361,861	\$ -
Due to other funds	5,221	329	5,221	329
Total Liabilities	\$ 5,221	\$ 1,362,190	\$ 1,367,082	\$ 329

**INTER-COUNTY NURSING
SERVICE**

<u>Assets</u>				
Cash and pooled investments	\$ 202,917	\$ 1,136,990	\$ 1,079,756	\$ 260,151
<u>Liabilities</u>				
Due to other governments	\$ 202,917	\$ 1,136,331	\$ 1,079,756	\$ 259,492
Due to other funds	-	659	-	659
Total Liabilities	\$ 202,917	\$ 1,136,990	\$ 1,079,756	\$ 260,151

**NORTHWEST REGIONAL
DEVELOPMENT COMMISSION**

<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 20,256	\$ 20,255	\$ 1
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 20,256	\$ 20,255	\$ 1

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Statement 7
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>NURSING HOME RESIDENTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,099	\$ 591	\$ 1,690	\$ -
<u>Liabilities</u>				
Residents' Funds	\$ 1,099	\$ 591	\$ 1,690	\$ -
 <u>PREPAID TAXES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 14,116	\$ 37,480	\$ 34,773	\$ 16,823
<u>Liabilities</u>				
Due to other funds	\$ 14,116	\$ 37,480	\$ 34,773	\$ 16,823
 <u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,489,848	\$ 2,489,848	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,489,848	\$ 2,489,848	\$ -
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 21,518	\$ 1,040,464	\$ 1,048,464	\$ 13,518
<u>Liabilities</u>				
Due to other governments	\$ 21,518	\$ 1,040,464	\$ 1,048,464	\$ 13,518

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

*Statement 7
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 203,152	\$ 6,080,615	\$ 6,082,109	\$ 201,658
Due from other funds	14,116	16,823	14,116	16,823
Total Assets	\$ 217,268	\$ 6,097,438	\$ 6,096,225	\$ 218,481
<u>Liabilities</u>				
Due to other governments	\$ 217,268	\$ 6,097,438	\$ 6,096,225	\$ 218,481
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,497,090	\$ 2,497,089	\$ 1
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,497,090	\$ 2,497,089	\$ 1
 <u>WATERSHEDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 289,060	\$ 289,060	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 289,060	\$ 289,060	\$ -

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Statement 7
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 442,802	\$ 14,954,255	\$ 14,904,905	\$ 492,152
Accounts receivable	5,221	329	5,221	329
Due from other funds	14,116	16,823	14,116	16,823
Total Assets	<u>\$ 462,139</u>	<u>\$ 14,971,407</u>	<u>\$ 14,924,242</u>	<u>\$ 509,304</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,361,861	\$ 1,361,861	\$ -
Due to other funds	19,337	38,468	39,994	17,811
Due to other governments	441,703	13,570,487	13,520,697	491,493
Residents' funds	1,099	591	1,690	-
Total Liabilities	<u>\$ 462,139</u>	<u>\$ 14,971,407</u>	<u>\$ 14,924,242</u>	<u>\$ 509,304</u>

OTHER SCHEDULES

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	Assets		
	Cash	Special Assessments Receivable	
		Prior	Noncurrent
County Ditches			
1 - Rocksbury/North	\$ 200	155	\$ -
1 - Rocksbury/Sanders	11,184	-	-
16	698	11	-
21	1,366	36	-
32	10,781	13	-
33	464	2	-
35	1,136	13	-
36	34,114	82	-
37	8,153	84	-
38	9,560	272	-
39	1,071	14	-
41	11,447	131	-
42	563	-	-
43	6,848	24	-
44	26,925	2	-
45	7,302	-	-
46	4,886	70	-
47	10,435	2	-
49	-	2	-
51	-	7	-
53	12,887	9	-
55	649	39	-
57	7,870	18	-
58	10,976	18	-
59	3,274	2	-
62	8,446	252	-
70	14,878	106	-
71	6,121	-	-
73	1,784	-	-
74	2,015	-	-
75	19,415	122	-
77	14,926	-	-
96	29,156	225	-
109-2	321	10	42,625
Joint County Ditches			
1	1,305	748	-
11	3,105	101	-
13	1,668	2,617	-
15	12,467	549	-
18	40,073	331	-
25 - Branch 3	45,314	1,641	-
30	49,545	403	-
30 - Branch A	1,839	-	-
31	345	-	-
60	277	-	-
31 Red Lk/Penn	485	-	-
Watershed Ditches			
25 - Branch 2	172	-	-
122 - Challenger Project	23	648	-
Total	\$ 436,469	\$ 8,759	\$ 42,625

Schedule 13

Due from Other Governments	Due from Other Ditches	Total
\$ -	\$ -	\$ 355
-	-	11,184
-	-	709
-	-	1,402
-	-	10,794
-	-	466
-	-	1,149
-	-	34,196
-	-	8,237
-	-	9,832
-	-	1,085
-	-	11,578
-	-	563
-	-	6,872
-	-	26,927
-	-	7,302
-	-	4,956
-	-	10,437
-	-	2
-	-	7
-	-	12,896
-	-	688
-	-	7,888
-	-	10,994
-	-	3,276
-	-	8,698
-	-	14,984
-	-	6,121
-	-	1,784
-	-	2,015
-	-	19,537
-	-	14,926
-	76,000	105,381
-	-	42,956
1,131	-	3,184
-	-	3,206
51	-	4,336
-	-	13,016
27	-	40,431
-	-	46,955
141	-	50,089
-	-	1,839
137	-	482
-	-	277
-	-	485
-	-	172
-	-	671
\$ 1,487	\$ 76,000	\$ 565,340

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	Liabilities			
	Due to Other Funds	Due to Other Governments	Deferred Revenue	Advances from Other Funds
County Ditches				
1 - Rocksbury/North	\$ -	\$ -	\$ 120	\$ -
1 - Rocksbury/Sanders	140	-	-	-
16	-	-	9	-
21	-	-	28	-
32	-	-	10	-
33	-	-	2	-
35	-	-	10	-
36	-	-	63	-
37	-	-	65	-
38	-	-	210	-
39	-	-	11	-
41	-	-	101	-
42	2,948	-	-	-
43	-	-	19	-
44	-	-	2	-
45	-	-	-	-
46	-	-	54	-
47	-	-	2	-
49	-	-	2	-
51	-	-	5	-
53	-	-	7	-
55	-	-	30	-
57	-	-	14	-
58	-	-	14	-
59	-	-	2	-
62	-	-	195	-
70	-	-	82	-
71	-	-	-	-
73	-	-	-	-
74	-	-	-	-
75	-	-	94	-
77	-	-	-	-
96	2,537	-	174	-
109-2	-	-	42,633	44,176
Joint County Ditches				
1	-	-	578	-
11	-	-	78	-
13	-	8,500	2,023	43,000
15	-	3	424	-
18	-	-	256	-
25 - Branch 3	-	-	1,269	-
30	-	-	308	-
30 - Branch A	-	-	-	-
31	-	-	-	-
60	-	19	-	-
31 Red Lk/Penn	-	-	-	-
Watershed Ditches				
25 - Branch 2	-	-	-	-
122 - Challenger Project	-	-	503	642
Total	\$ 5,625	\$ 8,522	\$ 49,397	\$ 87,818

Schedule 13
(Continued)

<u>Due to Other Ditches</u>	<u>Total</u>	<u>Fund Balances Unreserved Undesignated</u>	<u>Total Liabilities and Fund Balances</u>
\$ 22,000	\$ 22,120	\$ (21,765)	\$ 355
-	140	11,044	11,184
-	9	700	709
5,000	5,028	(3,626)	1,402
-	10	10,784	10,794
4,000	4,002	(3,536)	466
6,000	6,010	(4,861)	1,149
-	63	34,133	34,196
-	65	8,172	8,237
-	210	9,622	9,832
1,000	1,011	74	1,085
-	101	11,477	11,578
3,000	5,948	(5,385)	563
-	19	6,853	6,872
-	2	26,925	26,927
-	-	7,302	7,302
-	54	4,902	4,956
-	2	10,435	10,437
-	2	-	2
-	5	2	7
-	7	12,889	12,896
22,000	22,030	(21,342)	688
-	14	7,874	7,888
-	14	10,980	10,994
-	2	3,274	3,276
-	195	8,503	8,698
-	82	14,902	14,984
-	-	6,121	6,121
-	-	1,784	1,784
-	-	2,015	2,015
-	94	19,443	19,537
-	-	14,926	14,926
-	2,711	102,670	105,381
-	86,809	(43,853)	42,956
10,000	10,578	(7,394)	3,184
-	78	3,128	3,206
1,000	54,523	(50,187)	4,336
-	427	12,589	13,016
-	256	40,175	40,431
-	1,269	45,686	46,955
-	308	49,781	50,089
-	-	1,839	1,839
2,000	2,000	(1,518)	482
-	19	258	277
-	-	485	485
-	-	172	172
-	1,145	(474)	671
\$ 76,000	\$ 227,362	\$ 337,978	\$ 565,340

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 14

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Total Governmental Funds	Oakland Park Nursing Home Enterprise Fund	Total
Shared Revenue			
State			
County program aid	\$ 850,813	\$ -	\$ 850,813
Disparity reduction aid	95,865	-	95,865
Enhanced 911	87,185	-	87,185
Highway users tax	2,618,947	-	2,618,947
Market value credit	599,290	-	599,290
PERA rate reimbursement	16,384	-	16,384
Police state aid	35,462	-	35,462
	\$ 4,303,946	\$ -	\$ 4,303,946
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 998,404	\$ -	\$ 998,404
Payments			
Payments in lieu of taxes	\$ 17,853	\$ -	\$ 17,853
City of Thief River Falls	5,000	-	5,000
	\$ 22,853	\$ -	\$ 22,853
Grants			
State			
Minnesota Department/Board of			
Corrections	\$ 109,238	\$ -	\$ 109,238
Human Services	1,118,050	8,894	1,126,944
Natural Resources	32,058	-	32,058
Peace Officers	4,020	-	4,020
Pollution Control	52,039	-	52,039
Public Safety	24,305	-	24,305
Transportation	104,000	-	104,000
Water and Soil Resources	120,011	-	120,011
	\$ 1,563,721	\$ 8,894	\$ 1,572,615
Federal			
Department of			
Agriculture	\$ 5,087	\$ -	\$ 5,087
Housing and Urban Development	94,977	-	94,977
Justice	85,304	-	85,304
Transportation	1,080,438	-	1,080,438
Health and Human Services	368,136	-	368,136
Homeland Security	8,947	-	8,947
	\$ 1,642,889	\$ -	\$ 1,642,889
Total Grants	\$ 3,206,610	\$ 8,894	\$ 3,215,504
Total Intergovernmental Revenue	\$ 8,531,813	\$ 8,894	\$ 8,540,707

MANAGEMENT AND COMPLIANCE SECTION

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 15

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the financial statements of Pennington County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Pennington County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The significant deficiencies were not material weaknesses.
- C. No instances of noncompliance material to the financial statements of Pennington County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Pennington County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program was Highway Planning and Construction, CFDA #20.205.
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Pennington County was determined to be a low-risk auditee.

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 15
(Continued)

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 **Segregation of Duties**

Due to the limited number of personnel within several County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Pennington County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

Segregation of duties was previously a reportable condition which has now been redefined under *Statement of Auditing Standards 112* as a control deficiency. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

We recommend that Pennington County's management be aware of the absence of segregation of duties within the accounting and data processing functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

County's Response:

Management is aware of this and will provide oversight where needed.

ITEMS ARISING THIS YEAR

07-1 **Internal Controls**

The financial statements are the responsibility of the County's management. Internal control over financial reporting is a process designed to provide reasonable assurance about the achievement of the County's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the County's objective of reliable financial reporting. In this section, the term financial reporting relates to the preparation of reliable financial statements that are fairly presented in conformity with GAAP.

Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and obtain suitable knowledge to sufficiently review, understand, and approve the County's financial statements, including notes.

07-2 Gravel Inventory Overstated

The Road and Bridge Fund has not adjusted its reported gravel inventory to match actual amounts on hand. This overstatement resulted in an audit adjustment of \$85,936 for the value of the gravel in the fund's balance sheet.

The Road and Bridge cost accounting system reduces gravel inventory when amounts are charged out to road projects. Annually the gravel inventory should be counted and records adjusted for any variances to match the actual counts.

We recommend gravel inventory be counted on an annual basis and records adjusted accordingly.

County's Response:

Normally the survey department measures gravel inventory; however, because of late construction, there was not enough time to measure gravel inventory at the end of 2007. We have since measured gravel inventory and adjustments will be made for 2008.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-7 Ditch Special Revenue Fund Balance Deficits

Eleven of the 47 active individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2007, totaling \$163,941, the largest being \$50,187. Minnesota Statute, § 103E.735, subdivision 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County eliminate the individual ditch system fund balance deficits by levying assessments pursuant to Minnesota Statute, § 103E.735, which permits the accumulation of a surplus balance for future repairs and maintenance costs of a ditch system.

County's Response:

The County Board levies each year in an attempt to provide enough funds to cover estimated work planned for in the coming year. Sometimes more work is required than the County Board feels the benefited owners can afford to pay in one year. The Board then spreads the levy over a number of years.

ITEM ARISING THIS YEAR

07-3 **Road and Bridge Special Revenue Fund Balance Deficit**

The Road and Bridge Special Revenue fund has a deficit unreserved, undesignated fund balance of \$204,176 at December 31, 2007.

We recommend the County Board adequately budget and levy the funds necessary to provide road and bridge services within the County.

County's Response:

The County Board levies each year in an attempt to provide enough funds to cover estimated expenditures.



Colleen Hoffman, Manager
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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of County Commissioners
Pennington County

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pennington County as of and for the year ended December 31, 2007, including the Oakland Park Nursing Home Enterprise Fund as of and for the year ended September 30, 2007, and have issued our report thereon dated August 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pennington County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, items 96-1, 07-1, and 07-2, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Pennington County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennington County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven applicable categories of compliance to be tested: depositories of public funds and public investments, conflicts of interest, public indebtedness, contracting - bid laws, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories. The results of our tests indicate that for the items tested, the Pennington County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs are management practices comments, items 96-7 and 07-3. We believe these recommendations to be of benefit to Pennington County and are reported for that purpose.

The County's written responses to the findings identified in our audit are found in the accompanying Schedule of Findings and Questioned Costs and have not been subjected to any procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than those specified parties.



Hoffman, Dale, & Swenson, PLLC

August 6, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Pennington County

Compliance

We have audited the compliance of Pennington County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal programs for the year ended December 31, 2007. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pennington County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the Pennington County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Pennington County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pennington County as of and for the year ended December 31, 2007, including the Oakland Park Nursing Home Enterprise Fund as of for the year ended September 30, 2007, and have issued our report thereon dated August 6, 2008. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

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August 6, 2008

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

Schedule 16

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	\$ <u>5,087</u>	\$ -
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants	14.228	\$ <u>94,977</u>	\$ -
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Juvenile Justice and Delinquency Prevention	16.540	\$ 19,379	-
Crime Victim Assistance	16.575	<u>65,925</u>	-
Total U.S. Department of Justice		<u>\$ 85,304</u>	<u>\$ -</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ <u>1,080,438</u>	\$ <u>986,999</u>
U.S. Department of Election Assistance Commission			
Passed Through Minnesota Department of Secretary of State Help America Vote Act	90.401	\$ <u>8,500</u>	\$ -
U.S. Department of Health and Human Services			
Passed Through Northwest Regional Development Commission Special Programs for the Aging, Title IIIB	93.044	\$ 7,233	\$ -
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	2,950	-
Temporary Assistance for Needy Families	93.558	91,236	-
Child Care and Development Block Grant	93.575	52,404	-
Child Care Mandatory Matching Funds	93.596	69,917	-
Child Welfare Services	93.645	1,931	-
Social Services Block Grant	93.667	139,081	-
Chafee Foster Care Independence Program	93.674	1,576	-
State Children's Insurance Program	93.767	187	-
Block Grants for Community Mental Health Services	93.958	<u>1,621</u>	-
Total U.S. Department of Health and Human Services		<u>\$ 368,136</u>	<u>\$ -</u>

**PENNINGTON COUNTY
THIEF RIVER FALLS, MINNESOTA**

**Schedule 16
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	\$ 8,947	\$ -
Total Federal Awards		\$ 1,651,389	\$ 986,999

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Pennington County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County. Governmental funds use the modified accrual basis of accounting.
3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 1,642,889
Help America Vote Act grant expended in 2007 but received in previous years	<u>8,500</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,651,389</u>